PSG Konsult

Unaudited results
for the six months ended 31 August 2016

THE PSG KONSULT GROUP

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

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.

WHAT WE OFFER

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 TRUST
- INSTITUTIONAL PORTFOLIO MANAGEMENT

PSG INSURE

- PERSONAL SHORT-TERM INSURANCE
- COMMERCIAL SHORT-TERM INSURANCE

SALIENT FEATURES

Core revenue	Recurring headline earnings per share
↑ 12% to R1 855m	↑ 13% to 16.6 cents
2015: R1 654m | **2014:** R1 394m	**2015:** 14.7 cents | **2014:** 11.7 cents

Number of advisers	Total assets under management
↑ 11% to 738	↑ 18% to R167bn
2015: 667 | **2014:** 629	**2015:** R142bn | **2014:** R122bn

Dividend per share	Total assets under administration
↑ 16% to 5.1 cents	↑ 10% to R354bn
2015: 4.4 cents | **2014:** 4.0 cents	**2015:** R321bn | **2014:** R266bn

CONTENTS

Our mission

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

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.

COMMENTARY

PSG KONSULT DELIVERED A COMMENDABLE 13% GROWTH IN RECURRING HEADLINE EARNINGS PER SHARE SINCE THE PREVIOUS INTERIM PERIOD.

The board of directors is pleased with this set of results, taking into account the current challenging business environment and overall sluggish economic growth conditions in South Africa. The group's focus on client service excellence through the quality of its advice, products and platforms is proving resilient.

PSG Wealth

PSG Wealth achieved headline earnings growth of 17%. Management fees income increased by 20% as the business continues to focus on recurring income and reduce the reliance on transactional brokerage, which has remained flat during the period under review. The division's formidable financial adviser network grew by 14% to 505 advisers since the prior comparable period through both organic and selective adviser acquisition growth. The experience and stature of the advisers joining the firm continues to add credibility to the growing brand equity. Wealth managed assets of R139.1 billion are up 21% since the prior comparable period, which includes record net inflows of R8.2 billion in the past six months. Wealth's platform assets of R37.5 billion are up by 29% since the previous interim period, as the division continues to gain market share. Multi-managed assets now surpass R52 billion and are up 24% since the previous interim period.

PSG Asset Management

PSG Asset Management's headline earnings grew by 2%, impacted by the previously communicated decision to exit white labels to reduce operational risk and lower performance fees as a consequence of market conditions. During the past six months, the investment team delivered sound top-quartile investment performance across its fund range, which further augmented its excellent long-term investment track record. The division did experience a small net outflow of funds, partially due to difficult market conditions. We remain confident and optimistic about the long-term growth prospects for this business.

PSG Insure

PSG Insure's headline earnings grew by 29%, which is an achievement that the group is especially pleased with, 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 16% compared to the prior comparable period, and continued with its shift away from the commoditised personal lines' to the commercial lines' side of the business, which requires specialised adviser expertise. No significant catastrophe or other related events occurred during this period which, when combined with our continuous demanding underwriting practices, enabled us to achieve an excellent net underwriting margin of 7.8%. The insurance advisers, which now total 233, continue to gain market share.

PSG Konsult's key financial performance indicators for the six months ended 31 August 2016 are shown below:

	31 Aug 16 R000	Change %	31 Aug 15 R000
Headline and recurring headline earnings	**214 430**	15	186 800
Non-headline items	**(52)**		2 952
Earnings attributable to ordinary shareholders	**214 378**	13	189 752
Divisional headline earnings			
PSG Wealth	**140 553**	17	119 882
PSG Asset Management	**47 405**	2	46 322
PSG Insure	**26 472**	29	20 596
	214 430	15	186 800
Weighted average number of shares in issue (net of treasury shares) (million)	**1 290.2**	2	1 267.2
Earnings per share (cents)			
– Headline and recurring headline	**16.6**	13	14.7
– Attributable	**16.6**	11	15.0
Dividend per share (cents)	**5.1**	16	4.4

STRATEGY

PSG Wealth's overall strategy offers an innovative and holistic end-to-end client proposition. We continue investing 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 Konsult Mauritius acquired Ramet & Associés Ltée (now PSG Securities (Mauritius)). This is an established stockbroking business that will enhance our product offering and presence in this market.

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 chosen 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.

As each division grows, careful attention is paid to the group's cost structure, 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 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. It was further awarded first place as the top wealth manager for wealthy executives, and was ranked as a top-three wealth manager preferred by clients.
- **PSG Asset Management**
  - The division continues to deliver top-quartile investment returns across all funds.
- **PSG Insure**
  - Broker of the Year for both commercial lines, and assets and crop insurance in the 2015 Santam National Broker Awards.

CREDIT RATING

Rating agency Global Credit Rating Co. (GCR) upgraded PSG Konsult's long-term and short-term ratings during July 2016, to 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."

SHAREHOLDERS

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

PEOPLE

PSG Konsult had 207 offices and 2 256 employees as at 31 August 2016. Financial planners, portfolio managers, stockbrokers and asset managers totalled 738. A further 431 were professional associates (accountants and attorneys). During the six months under review, 27 new advisers were appointed through a combination of organic growth and selective adviser book acquisitions.

REGULATORY LANDSCAPE AND RISK MANAGEMENT

The group seeks to manage risk exposures within acceptable levels, sustain profit margins and maintain an efficient capital structure. This is while embedding good corporate conduct, regulatory compliance, the highest ethical behaviour and excellent client service. PSG Konsult is geared to adapt to regulatory change on a continuous basis and has positioned itself as an early adopter. Regulation in other territories is proactively monitored. This is part of the group's risk management approach. It ensures that the board and management are prepared for and informed about potential consequences and opportunities created by new legislation. The Retail Distribution Review (RDR), for example, is expected to significantly change the adviser market and the way financial products are distributed in South Africa. Elsewhere, the introduction of similar legislation increased the barriers to entry, increased the potential revenue per adviser and resulted in industry consolidation. This is an opportunity for PSG Konsult as the group has the necessary platforms, systems and practices to take on advisers seamlessly and provide support that meets all regulatory requirements. One of the significant regulatory events for the business was piloting its Own Risk and Solvency Assessment (ORSA) report. This enabled PSG Konsult to benchmark the extent to which ORSA principles are embedded across the group and to identify areas of improvement in preparation for the full ORSA report to be submitted in 2017.

MARKETING

Marketing initiatives are critical 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 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.

INFORMATION TECHNOLOGY (IT)

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

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.

EVENTS AFTER REPORTING DATE

No material events have taken place since the reporting date.

DIVIDEND

The board approved and declared a gross interim dividend of 5.1 cents per share (2015: 4.4 cents per share) from income reserves for the six months ended 31 August 2016. This is in line with our dividend payout policy (communicated at the time of listing) of distributing between 40% and 50% of recurring headline earnings as dividends (one third as an interim dividend and two thirds as a final dividend). The dividend is subject to a local dividend withholding tax (DWT) rate of 15% 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 4.335 cents per share. The number of issued ordinary shares is 1 321 600 545 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, 25 October 2016
Trading ex dividend commences	Wednesday, 26 October 2016
Record date	Friday, 28 October 2016
Date of payment	Monday, 31 October 2016

Share certificates may not be dematerialised or rematerialised between Wednesday, 26 October 2016 and Friday, 28 October 2016, 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 six months.

On behalf of the board

Willem Theron
Chairman

Francois Gouws
Chief executive officer

Tyger Valley
6 October 2016

psg.co.za

Condensed consolidated statement of financial position

as at 31 August and 29 February 2016

	Unaudited 31 Aug 16 R000	Unaudited 31 Aug 15 R000	Audited 29 Feb 16 R000
ASSETS			
Intangible assets	**997 887**	876 420	882 615
Property and equipment	**54 019**	56 827	54 179
Investment property	**7 349**	2 245	7 349
Investment in associated companies	**129**	40 554	129
Investment in joint ventures	**16 696**	13 453	16 223
Deferred income tax	**77 105**	85 913	90 245
Equity securities (note 6)	**2 194 463**	887 759	1 747 701
Debt securities (note 6)	**2 688 626**	1 666 917	2 588 565
Unit-linked investments (note 6)	**34 063 018**	15 566 418	29 695 283
Investment in investment contracts (note 6)	**29 230**	443 883	116 477
Loans and advances	**127 587**	126 110	129 114
Derivative financial instruments	**14 430**	13 813	17 864
Reinsurance assets	**66 238**	71 183	76 184
Deferred acquisition costs	**4 052**	2 393	3 011
Receivables including insurance receivables	**1 628 033**	2 737 279	2 816 578
Current income tax assets	**25 116**	25 081	7 249
Cash and cash equivalents (including money market investments) (note 6)	**1 241 533**	1 015 073	1 395 952
Non-current assets held for sale	**39 931**	–	38 948
Total assets	**43 275 442**	23 631 321	39 683 666
EQUITY			
Equity attributable to owners of the parent			
Stated capital	**1 745 191**	1 445 359	1 446 604
Treasury shares	**(56 802)**	(16 228)	(13 462)
Other reserves	**(381 949)**	(400 655)	(394 755)
Retained earnings	**750 476**	660 614	650 059
	2 056 916	1 689 090	1 688 446
Non-controlling interest	**173 886**	143 406	157 212
Total equity	**2 230 802**	1 832 496	1 845 658
LIABILITIES			
Insurance contracts	**564 425**	577 638	607 310
Deferred income tax	**50 991**	55 640	44 925
Borrowings	**148 764**	407 517	274 114
Derivative financial instruments	**14 408**	16 410	17 910
Investment contracts (note 6)	**22 032 848**	17 229 353	19 836 250
Third-party liabilities arising on consolidation of mutual funds	**16 507 660**	877 844	14 023 726
Deferred reinsurance acquisition revenue	**4 330**	4 029	4 524
Trade and other payables	**1 682 919**	2 618 743	2 894 051
Current income tax liabilities	**38 295**	11 651	135 198
Total liabilities	**41 044 640**	21 798 825	37 838 008
Total equity and liabilities	**43 275 442**	23 631 321	39 683 666
Net asset value per share (cents)	**156.7**	132.3	132.2

Condensed consolidated income statement

for the six months ended 31 August and the 12 months ended 29 February 2016

	Unaudited Six months ended 31 Aug 16 R000	Unaudited Six months ended 31 Aug 15 R000	Audited Year ended 29 Feb 16 R000
Gross written premium	**481 556**	462 590	940 903
Less: Reinsurance written premium	**(116 379)**	(128 875)	(242 720)
Net written premium	**365 177**	333 715	698 183
Change in unearned premium			
– Gross	**30 828**	4 461	(20 986)
– Reinsurers' share	**(587)**	(92)	434
Net insurance premium revenue	**395 418**	338 084	677 631
Commission and other fee income	**1 368 564**	1 233 783	2 461 393
Investment income	**704 311**	301 815	612 988
Net fair value gains and losses on financial instruments	**1 497 632**	464 613	1 104 789
Fair value adjustment to investment contract liabilities	**(1 059 376)**	(613 236)	(1 389 130)
Other operating income	**60 832**	15 361	34 005
Total income	**2 967 381**	1 740 420	3 501 676
Insurance claims and loss adjustment expenses	**(348 955)**	(330 388)	(670 197)
Insurance claims and loss adjustment expenses recovered from reinsurers	**56 582**	69 012	151 335
Net insurance benefits and claims	**(292 373)**	(261 376)	(518 862)
Commission paid	**(609 989)**	(562 655)	(1 061 309)
Depreciation and amortisation*	**(34 051)**	(27 692)	(57 308)
Employee benefit expenses	**(365 831)**	(304 867)	(590 976)
Fair value adjustment to third-party liabilities	**(993 652)**	(39 988)	(67 080)
Marketing, administration and other expenses	**(309 769)**	(206 399)	(485 365)
Total expenses	**(2 605 665)**	(1 402 977)	(2 780 900)
Share of profits of associated companies	**32**	992	1 496
Loss on impairment of associated companies	**–**	–	(1 981)
Profit on sale of interests in associated companies	**68**	–	–
Share of profits of joint ventures	**473**	482	3 252
Total profit from associated companies and joint ventures	**573**	1 474	2 767
Profit before finance costs and taxation	**362 289**	338 917	723 543
Finance costs	**(23 975)**	(48 800)	(91 881)
Profit before taxation	**338 314**	290 117	631 662
Taxation	**(104 569)**	(86 422)	(309 838)
Profit for the period	**233 745**	203 695	321 824
Attributable to:			
Owners of the parent	**214 378**	189 752	292 924
Non-controlling interest	**19 367**	13 943	28 900
	233 745	203 695	321 824
Earnings per share (cents)			
Attributable (basic)	**16.6**	15.0	23.0
Attributable (diluted)	**16.4**	14.5	22.4
Headline (basic)	**16.6**	14.7	22.9
Headline (diluted)	**16.4**	14.3	22.3
Recurring headline (basic)	**16.6**	14.7	32.1
Recurring headline (diluted)	**16.4**	14.3	31.2

* *Includes amortisation cost of R23.0 million (31 Aug 2015: R18.8 million; 29 Feb 2016: R38.2 million).*

Condensed consolidated statement of comprehensive income

for the six months ended 31 August and 12 months ended 29 February 2016

	Unaudited Six months ended 31 Aug 16 R000	Unaudited Six months ended 31 Aug 15 R000	Audited Year ended 29 Feb 16 R000
Profit for the period	**233 745**	203 695	321 824
Other comprehensive income for the period, net of taxation	**(1 361)**	(4 103)	9 647
To be reclassified to profit and loss:			
Currency translation adjustments	**(1 361)**	(4 103)	8 478
Not to be reclassified to profit and loss:			
Gain on revaluation of property and equipment	**–**	–	1 169
Total comprehensive income for the period	**232 384**	199 592	331 471
Attributable to:			
Owners of the parent	**213 017**	185 649	302 104
Non-controlling interest	**19 367**	13 943	29 367
	232 384	199 592	331 471

Earnings and headline earnings per share

	Unaudited Six months ended 31 Aug 16 R000	Unaudited Six months ended 31 Aug 15 R000	Audited Year ended 29 Feb 16 R000
Headline earnings	**214 430**	186 800	292 302
Recurring	**214 430**	186 800	408 748
Non-recurring	**–**	–	(116 446)
Non-headline items (net of non-controlling interest and related tax effect)			
(Loss)/profit on disposal of intangible assets (including goodwill)	**(187)**	1 220	190
Impairment of associated companies	**–**	–	(1 189)
Non-headline items of associated companies and joint ventures	**41**	503	2 151
Other	**94**	1 229	(530)
Profit attributable to ordinary shareholders	**214 378**	189 752	292 924
Earnings per share (cents)			
Attributable (basic)	**16.6**	15.0	23.0
Attributable (diluted)	**16.4**	14.5	22.4
Headline (basic)	**16.6**	14.7	22.9
Headline (diluted)	**16.4**	14.3	22.3
Recurring headline (basic)	**16.6**	14.7	32.1
Recurring headline (diluted)	**16.4**	14.3	31.2
Number of shares (million)			
In issue (net of treasury shares)	**1 312.9**	1 276.5	1 276.8
Weighted average	**1 290.2**	1 267.2	1 274.2

Condensed consolidated statement of changes in equity

for the six months ended 31 August and 12 months ended 29 February 2016

	Attributable to equity holders of the group					
	Stated capital R000	Treasury shares R000	Other reserves R000	Retained earnings R000	Non-controlling interest R000	Total R000
Balance at 1 March 2015 – Audited	1 325 111	(546)	(404 471)	573 065	132 491	1 625 650
Comprehensive income						
Profit for the period	–	–	–	189 752	13 943	203 695
Other comprehensive income	–	–	(4 103)	–	–	(4 103)
Total comprehensive income	–	–	(4 103)	189 752	13 943	199 592
Transactions with owners	120 248	(15 682)	7 919	(102 203)	(3 028)	7 254
Issue of ordinary shares	120 248	–	–	–	–	120 248
Share-based payment costs	–	–	7 919	–	–	7 919
Net movement in treasury shares	–	(15 682)	–	–	–	(15 682)
Dividend paid	–	–	–	(102 203)	(3 028)	(105 231)
Balance at 31 August 2015 – Unaudited	1 445 359	(16 228)	(400 655)	660 614	143 406	1 832 496
Comprehensive income						
Profit for the period	–	–	–	103 172	14 957	118 129
Other comprehensive income	–	–	13 283	–	467	13 750
Total comprehensive income	–	–	13 283	103 172	15 424	131 879
Transactions with owners	1 245	2 766	(7 383)	(113 727)	(1 618)	(118 717)
Issue of ordinary shares	1 245	–	–	–	–	1 245
Share-based payment costs	–	–	8 689	–	–	8 689
Transactions with non-controlling interest	–	–	–	(3 098)	(360)	(3 458)
Acquisition of subsidiary	–	–	–	–	921	921
Net movement in treasury shares	–	7 167	–	–	–	7 167
Release of profits from treasury shares to retained earnings	–	(4 401)	–	4 401	–	–
Equity-settled share-based payments	–	–	(16 072)	(58 773)	–	(74 845)
Dividend paid	–	–	–	(56 257)	(2 179)	(58 436)
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 period	**–**	**–**	**–**	**214 378**	**19 367**	**233 745**
Other comprehensive income	**–**	**–**	**(1 361)**	**–**	**–**	**(1 361)**
Total comprehensive income	**–**	**–**	**(1 361)**	**214 378**	**19 367**	**232 384**
Transactions with owners	**298 587**	**(43 340)**	**14 167**	**(113 961)**	**(2 693)**	**152 760**
Issue of ordinary shares	**298 587**	**–**	**–**	**–**	**–**	**298 587**
Share-based payment costs	**–**	**–**	**14 167**	**–**	**–**	**14 167**
Capital contribution by non-controlling interest	**–**	**–**	**–**	**–**	**750**	**750**
Net movement in treasury shares	**–**	**(43 340)**	**–**	**–**	**–**	**(43 340)**
Dividend paid	**–**	**–**	**–**	**(113 961)**	**(3 443)**	**(117 404)**
Balance at 31 August 2016 – Unaudited	**1 745 191**	**(56 802)**	**(381 949)**	**750 476**	**173 886**	**2 230 802**

Condensed consolidated statement of cash flows

for the six months ended 31 August and 12 months ended 29 February 2016

	Unaudited Six months ended 31 Aug 16 R000	Unaudited Six months ended 31 Aug 15 R000	Audited Year ended 29 Feb 16 R000
Cash flows from operating activities			
Cash (utilised in)/generated by operating activities	**(470 985)**	(30 628)	57 599
Interest income	**509 644**	209 636	529 692
Dividend income	**194 441**	91 977	82 872
Finance costs	**(17 554)**	(22 922)	(41 939)
Taxation paid	**(197 968)**	(84 027)	(172 284)
Operating cash flows before policyholder cash movement	**17 578**	164 036	455 940
Policyholder cash movement	**(73 396)**	(4 883)	87 910
Net cash flow from operating activities	**(55 818)**	159 153	543 850
Cash flows from investing activities			
Acquisition of subsidiaries (including collective investment schemes)	**9 707**	–	93 516
Acquisition of intangible assets	**(19 767)**	(37 394)	(56 826)
Purchases of property and equipment	**(11 429)**	(24 372)	(35 059)
Proceeds from disposal of non-current assets held for sale	**–**	16 054	12 646
Other	**9 240**	6 798	1 864
Net cash flow from investing activities	**(12 249)**	(38 914)	16 141
Cash flows from financing activities			
Dividends paid	**(117 404)**	(105 231)	(163 667)
Capital contributions by non-controlling interest (ordinary shares)	**750**	–	–
Transactions with non-controlling interest	**–**	–	(3 458)
Repayment of borrowings	**(2 640)**	(1 964)	(3 737)
Shares issued	**81 960**	40 520	36 519
Net movement in treasury shares	**(43 340)**	(15 682)	(8 515)
Other	**–**	–	608
Net cash flow from financing activities	**(80 674)**	(82 357)	(142 250)
Net (decrease)/increase in cash and cash equivalents	**(148 741)**	37 882	417 741
Cash and cash equivalents at beginning of period	**1 395 952**	975 018	975 018
Exchange (losses)/gains on cash and cash equivalents	**(5 678)**	2 173	3 193
Cash and cash equivalents at end of period*	**1 241 533**	1 015 073	1 395 952
* *Includes the following:*			
Clients' cash linked to investment contracts	**41 468**	22 071	114 864
Other client-related balances	**101 484**	105 445	165 970
	142 952	127 516	280 834

Notes to the statement of cash flow:

The movement in cash generated by/utilised in operating activities can vary significantly as a result of daily fluctuations in cash linked to investment contracts, cash held by the stockbroking business and cash utilised for the loan facility obtained by PSG Wealth on the loan facilities provided to clients on their share portfolios at PSG Securities Limited. PSG Life Limited, the group's linked insurance company, issues linked policies to policyholders (where the value of policy benefits is directly linked to the fair value of the supporting assets). When these policies mature, the company raises a debtor for the money receivable from the third-party investment provider, and raises a creditor for the amount owing to the client. Timing differences occur 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 5.7 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 2016

1. REPORTING ENTITY

PSG Konsult Limited is a public company domiciled in the Republic of South Africa. The condensed consolidated interim financial statements of the company as at and for the six months ended 31 August 2016 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

Statement of compliance

The condensed consolidated interim financial statements as at and for the six months ended 31 August 2016 have been prepared in accordance with the Listings Requirements of the JSE Limited (JSE) and the requirements of the Companies Act, No. 71 of 2008, as amended, applicable to condensed financial statements. The JSE requires condensed financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 – Interim Financial Reporting. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the group as at and for the year ended 29 February 2016. 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 by Stephan van der Merwe, CA(SA), 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 29 February 2016.

3. INDEPENDENT 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 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:

- Amendment to IFRS 10, IFRS 12 and IAS 28 – Investment Entities – Applying the consolidation exception
- Amendment to IFRS 11 – Joint Arrangements
- Amendment to IFRS 14 – Regulatory Deferral Accounts
- Amendments to IAS 1 – Presentation of Financial Statements – Disclosure initiative
- Amendments to IAS 16 – Property, Plant and Equipment
- Amendments to IAS 27 – Consolidated and Separate Financial Statements
- Amendments to IAS 38 – Intangible Assets
- 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 interim financial statements.

Notes to the condensed consolidated interim financial statements

for the six months ended 31 August 2016 (continued)

4. ACCOUNTING POLICIES (continued)

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

- IFRS 9 – Financial Instruments (effective 1 January 2018)
- IFRS 15 – Revenue from Contracts with Customers (effective 1 January 2018)
- IFRS 16 – Leases (effective 1 January 2019)
- IAS 7 – Statement of Cash Flows (effective 1 January 2017)
- IAS 12 – Income Taxes (effective 1 January 2017)

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

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, information technology (IT), marketing, human resources (HR), payroll, internal audit and corporate finance services. The strategic elements of IT, in terms of both services and infrastructure, are also centralised in the corporate office. The corporate costs are allocated to the three reportable segments.

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.

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.

5. SEGMENT INFORMATION (continued)

5.1 Description of business segments (continued)

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.

The segment information for the periods ended August 2015 and February 2016 have been restated to exclude the impact of the linked investment policies issued and the consolidation of the collective investment schemes on the divisional income statements (note 5.4) in order to better reflect the information used by the CODM. The new segmental divisional income statements now reflect the core business operations, with a reconciliation to the IFRS income statement included in note 5.6. The 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 flows. The segment information provided to the CODM for the reportable segments for the period ended 31 August 2016 is set out below:

5.2 Headline earnings per reportable segment

Headline earnings	Wealth R000	Asset Management R000	Insure R000	Total R000
For the six months ended 31 August 2016 (Unaudited)				
Headline earnings	**140 553**	**47 405**	**26 472**	**214 430**
– recurring	**140 553**	**47 405**	**26 472**	**214 430**
– non-recurring	**–**	**–**	**–**	**–**
For the six months ended 31 August 2015 (Unaudited)				
Headline earnings	119 882	46 322	20 596	186 800
– recurring	119 882	46 322	20 596	186 800
– non-recurring	–	–	–	–
For the 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)

Notes to the condensed consolidated interim financial statements
for the six months ended 31 August 2016 (continued)

5. SEGMENT INFORMATION (continued)
5.3 Income per reportable segment

For the six months ended 31 August 2016 (Unaudited)	Wealth R000	Asset Management R000	Insure R000	Total R000
Total IFRS reported income	**2 094 943**	**200 528**	**671 910**	**2 967 381**
Linked investment business and other income	**(1 112 504)**	**–**	**–**	**(1 112 504)**
Total core income	**982 439**	**200 528**	**671 910**	**1 854 877**
Total segment income	**1 271 723**	**345 489**	**686 685**	**2 303 897**
Intersegment income	**(289 284)**	**(144 961)**	**(14 775)**	**(449 020)**

For the six months ended 31 August 2015 (Unaudited)	Wealth** R000	Asset Management R000	Insure R000	Total** R000
Total IFRS reported income	962 200	199 651	578 569	1 740 420
Linked investment business and other income	(86 106)	–	–	(86 106)
Total core income	876 094	199 651	578 569	1 654 314
Total segment income	1 122 002	333 170	584 991	2 040 163
Intersegment income	(245 908)	(133 519)	(6 422)	(385 849)

For the year ended 29 February 2016 (Unaudited)	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.

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 2016 (Unaudited)	Wealth R000	Asset Management R000	Insure R000	Total R000
Total core income	**982 439**	**200 528**	**671 910**	**1 854 877**
Total expenses	**(766 053)**	**(139 489)**	**(616 986)**	**(1 522 528)**
	216 386	**61 039**	**54 924**	**332 349**
Total profit from associated companies and joint ventures	**–**	**–**	**573**	**573**
Profit before finance costs and taxation	**216 386**	**61 039**	**55 497**	**332 922**
Finance costs*	**(16 769)**	**(155)**	**(630)**	**(17 554)**
Profit before taxation	**199 617**	**60 884**	**54 867**	**315 368**
Taxation	**(56 322)**	**(13 479)**	**(11 822)**	**(81 623)**
Profit for the period	**143 295**	**47 405**	**43 045**	**233 745**
Attributable to:				
Owners of the parent	**139 165**	**47 405**	**27 808**	**214 378**
Non-controlling interest	**4 130**	**–**	**15 237**	**19 367**
	143 295	**47 405**	**43 045**	**233 745**
Headline earnings	**140 553**	**47 405**	**26 472**	**214 430**
Recurring headline earnings	**140 553**	**47 405**	**26 472**	**214 430**

For the six months ended 31 August 2015 (Unaudited)	Wealth** R000	Asset Management R000	Insure R000	Total** R000
Total core income	876 094	199 651	578 569	1 654 314
Total expenses	(679 435)	(136 829)	(538 712)	(1 354 976)
	196 659	62 822	39 857	299 338
Total profit from associated companies and joint ventures	–	–	1 474	1 474
Profit before finance costs and taxation	196 659	62 822	41 331	300 812
Finance costs*	(21 943)	(212)	(767)	(22 922)
Profit before taxation	174 716	62 610	40 564	277 890
Taxation	(49 821)	(16 013)	(8 361)	(74 195)
Profit for the period	124 895	46 597	32 203	203 695
Attributable to:				
Owners of the parent	122 069	46 597	21 086	189 752
Non-controlling interest	2 826	–	11 117	13 943
	124 895	46 597	32 203	203 695
Headline earnings	119 882	46 322	20 596	186 800
Recurring headline earnings	119 882	46 322	20 596	186 800

** 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 R17.4 million (31 Aug 2015: R21.9 million; 29 Feb 2016: R38.3 million) consist of R11.9 million (31 Aug 2015: R15.5 million; 29 Feb 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.*

Notes to the condensed consolidated interim financial statements

for the six months ended 31 August 2016 (continued)

5. SEGMENT INFORMATION (continued)

5.4 Divisional income statements (continued)

For the year ended 29 February 2016 (Unaudited)	Wealth** R000	Asset Management R000	Insure R000	Total** R000
Total core 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 R17.4 million (31 Aug 2015: R21.9 million; 29 Feb 2016: R38.3 million) consist of R11.9 million (31 Aug 2015: R15.5 million; 29 Feb 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.*

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 2016 (Unaudited)	Total IFRS reported R000	Own balances R000	Client-related balances R000
ASSETS			
Equity securities	**2 194 463**	**9 886**	**2 184 577**
Debt securities	**2 688 626**	**89 150**	**2 599 476**
Unit-linked investments	**34 063 018**	**488 145**	**33 574 873**
Investment in investment contracts	**29 230**	**–**	**29 230**
Receivables including insurance receivables	**1 628 033**	**241 585**	**1 386 448**
Derivative financial instruments	**14 430**	**–**	**14 430**
Cash and cash equivalents (including money market investments)	**1 241 533**	**1 098 581**	**142 952**
Other assets*	**1 416 109**	**1 416 109**	**–**
Total assets	**43 275 442**	**3 343 456**	**39 931 986**
EQUITY			
Equity attributable to owners of the parent	**2 056 916**	**2 056 916**	**–**
Non-controlling interest	**173 886**	**173 886**	**–**
Total equity	**2 230 802**	**2 230 802**	**–**
LIABILITIES			
Borrowings	**148 764**	**7 956**	**140 808**
Investment contracts	**22 032 848**	**–**	**22 032 848**
Third-party liabilities arising on consolidation of mutual funds	**16 507 660**	**–**	**16 507 660**
Derivative financial instruments	**14 408**	**–**	**14 408**
Trade and other payables	**1 682 919**	**446 657**	**1 236 262**
Other liabilities**	**658 041**	**658 041**	**–**
Total liabilities	**41 044 640**	**1 112 654**	**39 931 986**
Total equity and liabilities	**43 275 442**	**3 343 456**	**39 931 986**

* *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.*

Notes to the condensed consolidated interim financial statements

for the six months ended 31 August 2016 (continued)

5. SEGMENT INFORMATION (continued)

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

As at 31 August 2015 (Unaudited)	Total IFRS reported R000	Own balances R000	Client-related balances R000
ASSETS			
Equity securities	887 759	6 271	881 488
Debt securities	1 666 917	96 839	1 570 078
Unit-linked investments	15 566 418	431 714	15 134 704
Investment in investment contracts	443 883	–	443 883
Receivables including insurance receivables	2 737 279	243 291	2 493 988
Derivative financial instruments	13 813	–	13 813
Cash and cash equivalents (including money market investments)	1 015 073	887 557	127 516
Other assets*	1 300 179	1 300 179	–
Total assets	23 631 321	2 965 851	20 665 470
EQUITY			
Equity attributable to owners of the parent	1 689 090	1 689 090	–
Non-controlling interest	143 406	143 406	–
Total equity	1 832 496	1 832 496	–
LIABILITIES			
Borrowings	407 517	12 382	395 135
Investment contracts	17 229 353	–	17 229 353
Third-party liabilities arising on consolidation of mutual funds	877 844	–	877 844
Derivative financial instruments	16 410	–	16 410
Trade and other payables	2 618 743	472 015	2 146 728
Other liabilities**	648 958	648 958	–
Total liabilities	21 798 825	1 133 355	20 665 470
Total equity and liabilities	23 631 321	2 965 851	20 665 470

* *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.*

5. SEGMENT INFORMATION (continued)

5.5. 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.*

Notes to the condensed consolidated interim financial statements

for the six months ended 31 August 2016 (continued)

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 2016 (Unaudited)	Total IFRS reported R000	Core business R000	Linked investment business and other R000
Commission and other fee income	**1 368 564**	**1 345 312**	**23 252**
Investment income	**704 311**	**83 464**	**620 847**
Net fair value gains and losses on financial instruments	**1 497 632**	**9 013**	**1 488 619**
Fair value adjustment to investment contract liabilities	**(1 059 376)**	**–**	**(1 059 376)**
Other*	**456 250**	**417 088**	**39 162**
Total income	**2 967 381**	**1 854 877**	**1 112 504**
Insurance claims and loss adjustment expenses	**(348 955)**	**(348 469)**	**(486)**
Fair value adjustment to third-party liabilities	**(993 652)**	**–**	**(993 652)**
Other**	**(1 263 058)**	**(1 174 059)**	**(88 999)**
Total expenses	**(2 605 665)**	**(1 522 528)**	**(1 083 137)**
Total profit from associated companies and joint ventures	**573**	**573**	**–**
Profit before finance costs and taxation	**362 289**	**332 922**	**29 367**
Finance costs	**(23 975)**	**(17 554)**	**(6 421)**
Profit before taxation	**338 314**	**315 368**	**22 946**
Taxation	**(104 569)**	**(81 623)**	**(22 946)**
Profit for the period	**233 745**	**233 745**	**–**
Attributable to:			
Owners of the parent	**214 378**	**214 378**	**–**
Non-controlling interest	**19 367**	**19 367**	**–**
	233 745	**233 745**	**–**

* *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.*

5. SEGMENT INFORMATION (continued)

5.6. Income statement (client vs own) (continued)

For the six months ended 31 August 2015 (Unaudited)	Total IFRS reported R000	Core business R000	Linked investment business and other R000
Commission and other fee income	1 233 783	1 222 542	11 241
Investment income	301 815	74 589	227 226
Net fair value gains and losses on financial instruments	464 613	4 515	460 098
Fair value adjustment to investment contract liabilities	(613 236)	–	(613 236)
Other*	353 445	352 668	777
Total income	1 740 420	1 654 314	86 106
Insurance claims and loss adjustment expenses	(330 388)	(329 828)	(560)
Fair value adjustment to third-party liabilities	(39 988)	–	(39 988)
Other**	(1 032 601)	(1 025 148)	(7 453)
Total expenses	(1 402 977)	(1 354 976)	(48 001)
Total profit from associated companies and joint ventures	1 474	1 474	–
Profit before finance costs and taxation	338 917	300 812	38 105
Finance costs	(48 800)	(22 922)	(25 878)
Profit before taxation	290 117	277 890	12 227
Taxation	(86 422)	(74 195)	(12 227)
Profit for the period	203 695	203 695	–
Attributable to:			
Owners of the parent	189 752	189 752	–
Non-controlling interest	13 943	13 943	–
	203 695	203 695	–

* *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.*

Notes to the condensed consolidated interim financial statements

for the six months ended 31 August 2016 (continued)

5. SEGMENT INFORMATION (continued)

5.6. 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 period	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.*

5.7. 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 six months ended 31 August 2016 (Unaudited)	Total IFRS reported R000	Own balances R000	Client-related balances R000
Cash flows from operating activities*	**(55 818)**	**93 139**	**(148 957)**
Cash flows from investing activities	**(12 249)**	**(23 325)**	**11 076**
Cash flows from financing activities	**(80 674)**	**(80 674)**	**–**
Net decrease in cash and cash equivalents	**(148 741)**	**(10 860)**	**(137 881)**
Cash and cash equivalents at beginning of period	**1 395 952**	**1 115 119**	**280 833**
Exchange losses on cash and cash equivalents	**(5 678)**	**(5 678)**	**–**
Cash and cash equivalents at end of period	**1 241 533**	**1 098 581**	**142 952**

* *Cash flows from operating activities relating to our balances were impacted negatively by the PSG Life Limited tax dispute settlement of R115 million paid in March 2016.*

5. SEGMENT INFORMATION (continued)

5.7. Statement of cash flows (client vs own) (continued)

For the six months ended 31 August 2015 (Unaudited)	Total IFRS reported R000	Own balances R000	Client-related balances R000
Cash flows from operating activities	159 153	197 972	(38 819)
Cash flows from investing activities	(38 914)	(38 914)	–
Cash flows from financing activities	(82 357)	(82 357)	–
Net increase/(decrease) in cash and cash equivalents	37 882	76 701	(38 819)
Cash and cash equivalents at beginning of period	975 018	808 683	166 335
Exchange gains on cash and cash equivalents	2 173	2 173	–
Cash and cash equivalents at end of period	1 015 073	887 557	127 516

For the year ended 29 February 2016 (Unaudited)	Total IFRS reported R000	Own balances R000	Client–related balances R000
Cash flows from operating activities	543 850	525 640	18 210
Cash flows from investing activities	16 141	(80 148)	96 289
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 period	975 018	808 683	166 335
Exchange gains on cash and cash equivalents	3 193	3 193	–
Cash and cash equivalents at end of period	1 395 952	1 115 118	280 834

6. INVESTMENT CONTRACTS

Investment contracts are represented by the following financial assets:

	Unaudited as at 31 Aug 16 R000	Unaudited as at 31 Aug 15 R000	Audited as at 29 Feb 16 R000
Equity securities	**2 099 569**	816 727	1 661 713
Debt securities	**637 474**	730 721	783 225
Unit-linked investments	**19 225 107**	15 215 950	17 159 971
Investments in investment contracts	**29 230**	443 884	116 477
Cash and cash equivalents	**41 468**	22 071	114 864
	22 032 848	17 229 353	19 836 250

Notes to the condensed consolidated interim financial statements

for the six months ended 31 August 2016 (continued)

7. RECEIVABLES INCLUDING INSURANCE RECEIVABLES AND TRADE AND OTHER PAYABLES

Included under receivables are broker and clearing accounts at our stockbroking business of which R1 349.7 million (31 Aug 2015: R2 455.5 million; 29 Feb 2016: R2 513.5 million) represents amounts owing by the JSE for trades conducted during the last few days before the end of the period. These balances fluctuate on a daily basis depending on the activity in the market.

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

8. TRANSACTIONS WITH NON-CONTROLLING INTERESTS

For the year ended 29 February 2016

i) *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. This transaction follows the acquisition of an additional 3% interest on 1 March 2014.

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

For the year ended 29 February 2016 and six months ended 31 August 2016

PSG Konsult Limited (through its subsidiary Western Group Holdings Limited) sold its 23% interest held in Xinergistix Limited on 1 November 2015 for R38.9 million. The transaction was subject to suspensive conditions and was treated as a non-current asset held for sale on 29 February 2016.

At as 31 August 2016, the approval from the Competition Commission on the disposal of Xinergistix Limited is still pending and is expected to be obtained before 28 February 2017.

10. ACQUISITION OF SUBSIDIARIES

For the six months ended 31 August 2016

i) *Ramet & Associés Ltée*

PSG Konsult Limited, through its subsidiary PSG Wealth Limited (Mauritius), acquired a 100% interest in Ramet & Associés Ltée, a registered stockbroker in Mauritius. The effective date of the transaction was 1 July 2016 following the fulfilment of suspensive conditions. The name of the company changed to PSG Securities Limited (Mauritius) during September 2016.

ii) *Acquisition of collective investment schemes*

The group obtained control of the PSG Wealth Income Fund of Funds during the six months ended 31 August 2016. This fund was consolidated in accordance with IFRS 10 – Consolidated Financial Statements and is a collective investment scheme managed by PSG Asset Management.

Fund consolidated	**PSG Wealth Income Fund of Funds**
% interest in fund on 31 August 2016	**30%**
Date of acquisition	**31 August 2016**
Details of the net assets acquired are as follows:	**Group R000**
Unit-linked investments	1 969 562
Receivables including insurance receivables	34
Cash and cash equivalents (including money market investments)	11 076
Third-party liabilities arising on consolidation of mutual funds	(1 392 596)
Trade and other payables	(699)
Net asset value	587 377
Fair value of equity interest held before the business combination	(587 377)
Total consideration paid	–

10. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended 29 February 2016

i) *PSG Wealth Limited (Mauritius) (previously DMH Associates Limited (Mauritius))*

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

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 29 February 2016	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 equity interest held before the business combination	(336 877)	(1 037 833)	(4 253 017)
Total consideration paid	–	–	–

11. OTHER ACQUISITIONS

For the six months ended 31 August 2016

i) *Standardising of revenue sharing model*

Effective 1 March 2016 and 17 March 2016, the group (through its subsidiaries PSG Wealth Financial Planning Proprietary Limited and PSG Multi Management Proprietary Limited) concluded asset-for-share transactions (utilising Section 42 of the Income Tax Act) as well as further revenue sharing arrangements with a large number of its advisers. The purpose of this transaction was to standardise the revenue sharing arrangements between the advisers and PSG Konsult.

The consideration was paid with the issue of PSG Konsult shares (1 million shares at R7.20 per share and 13.3 million shares at R6.84 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 3R – Business Combinations as the assets acquired (the right to an increased share in the income stream of the adviser) did not constitute a business acquired.

These transactions contributed R2.5 million to our headline earnings during the six months ended 31 August 2016.

Notes to the condensed consolidated interim financial statements

for the six months ended 31 August 2016 (continued)

11. OTHER ACQUISITIONS (continued)

For the year ended 29 February 2016

i) Standardising of revenue sharing model

During the 2016 financial year under review, the group, through its subsidiaries PSG Wealth Financial Planning Proprietary Limited and PSG Corporate Financial Planning Proprietary Limited, concluded further revenue sharing arrangements (on the same basis as in the 2015 financial year) with a number of its advisers for a cash consideration of R17.6 million.

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

12. 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 29 February 2016.

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 equity prices, foreign currency exchange rates and interest rates.

A portion of the policyholders' and shareholders' investments is 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 194.5 million (31 Aug 2015: R887.8 million; 29 Feb 2016: R1 747.7 million) are quoted equity securities of R2 194.1 million (31 Aug 2015: R886.9 million; 29 Feb 2016: R1 747.5 million), of which R2 099.6 million (31 Aug 2015: R816.7 million; 29 Feb 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 R637.5 million (31 Aug 2015: R730.7 million; 29 Feb 2016: R783.2 million) and do not expose the group to interest rate risk. Cash and cash equivalents linked to policyholder investments amounted to R41.5 million (31 Aug 2015: R22.1 million; 29 Feb 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. 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 period under review.

12. 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
Policyholder investment contract liabilities – unit-linked	Current unit price of underlying unitised financial asset that is linked to the liability, multiplied by the number of units held	Not applicable
Third-party financial liabilities arising on the consolidation of mutual funds	Quoted put (exit) price provided by the fund manager	Not applicable – prices are publicly available

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

Unaudited Financial assets	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
At 31 August 2016				
Financial assets at fair value through profit or loss				
Derivative financial assets	–	14 430	–	14 430
Equity securities	2 194 045	41	–	2 194 086
Debt securities	888 812	1 587 430	–	2 476 242
Unit-linked investments	–	32 963 548	1 099 470	34 063 018
Investment in investment contracts	–	29 230	–	29 230
Available-for-sale				
Equity securities	–	–	377	377
	3 082 857	**34 594 679**	**1 099 847**	**38 777 383**

Financial liabilities	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
At 31 August 2016				
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	–	14 408	–	14 408
Investment contracts	–	20 730 994	1 089 470	21 820 464
Trade and other payables	–	–	27 888	27 888
Third-party liabilities arising on consolidation of mutual funds	–	16 507 660	–	16 507 660
	–	**37 253 062**	**1 117 358**	**38 370 420**

Notes to the condensed consolidated interim financial statements

for the six months ended 31 August 2016 (continued)

12. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

Unaudited **Financial assets**	**Level 1** **R000**	**Level 2** **R000**	**Level 3** **R000**	**Total** **R000**
At 31 August 2015				
Financial assets at fair value through profit or loss				
Derivative financial assets	–	13 813	–	13 813
Equity securities	886 914	–	–	886 914
Debt securities	466 140	530 178	90 447	1 086 765
Unit-linked investments	–	14 620 667	945 751	15 566 418
Investment in investment contracts	–	384 021	–	384 021
Available-for-sale				
Equity securities	–	–	845	845
	1 353 054	15 548 679	1 037 043	17 938 776

Financial liabilities				
At 31 August 2015				
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	–	16 410	–	16 410
Investment contracts	–	15 563 141	1 026 198	16 589 339
Trade and other payables	–	–	14 988	14 988
Third-party liabilities arising on consolidation of mutual funds	–	877 844	–	877 844
	–	16 457 395	1 041 186	17 498 581

Audited **Financial assets**				
At 29 February 2016				
Financial assets at fair value through profit or loss				
Derivative financial assets	–	17 864	–	17 864
Equity securities	1 747 453	8	–	1 747 461
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				
At 29 February 2016				
Financial liabilities at fair value through profit or loss				
Derivative financial liabilities	–	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

12. 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 16** **R000**	**Unaudited** **31 Aug 15** **R000**	**Audited** **29 Feb 16** **R000**
ASSETS			
Opening carrying value	**1 309 224**	1 117 501	1 117 501
Additions	**84 825**	1 846 823	392 791
Disposals	**(319 826)**	(2 033 834)	(761 413)
Gains recognised in profit and loss	**25 624**	106 553	560 345
	1 099 847	1 037 043	1 309 224
LIABILITIES			
Opening carrying value	**1 304 281**	1 120 109	1 120 109
Additions	**111 040**	1 852 842	406 434
Disposals	**(323 313)**	(2 038 341)	(784 529)
Losses recognised in profit and loss	**25 624**	106 553	562 267
Interest and other	**(274)**	23	–
	1 117 358	1 041 186	1 304 281

Level 3 – significant fair value model assumptions and sensitivities

Financial assets and liabilities

Unit-linked investments and debt securities represent the largest portion of the level 3 financial assets and relate to units and debentures held in hedge funds and are priced monthly. The prices are obtained from the asset managers of the particular hedge funds. These are held to match investment contract liabilities, and as such any change in measurement would result in a similar adjustment to investment contract liabilities. 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 input, as the valuation technique used to determine the fair values takes into account the probability (at each reporting period) that the contracted party will achieve the profit guarantee as stipulated in the business agreement.

Notes to the condensed consolidated interim financial statements

for the six months ended 31 August 2016 (continued)

12. 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:

	Unaudited 31 Aug 16 R000	Unaudited 31 Aug 15 R000	Audited 29 Feb 16 R000
ASSETS			
Debt securities – held-to-maturity			
– Carrying value	**212 384**	580 152	321 441
– Fair value	**234 490**	587 107	333 175
Investment in investment contracts			
– Carrying value	**–**	59 862	42 662
– Fair value	**–**	61 480	42 707
Total assets			
– Carrying value	**212 384**	640 014	364 103
– Fair value	**234 490**	648 587	375 882
LIABILITIES			
Investment contracts			
– Carrying value	**212 384**	640 014	364 103
– Fair value	**234 490**	648 587	375 882

The fair value of the financial assets and liabilities in the table above is categorised in terms of level 2 (31 Aug 2016: R100.5 million, 31 Aug 2015: R558.1 million, 29 Feb 2016: R265.3 million) and level 3 (31 Aug 2016: R134.0 million, 31 Aug 2015: R90.5 million, 29 Feb 2016: R110.6 million).

13. 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 period under review.

14. CAPITAL COMMITMENTS AND CONTINGENCIES

	Unaudited 31 Aug 16 R000	Unaudited 31 Aug 15 R000	Audited 29 Feb 16 R000
Operating lease commitments	**155 378**	124 937	149 620
Capital commitments	**–**	–	1 200

15. 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.

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
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Bellville
7536

Listing

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

Transfer secretaries

Computershare Investor Services Proprietary Limited
70 Marshall Street
Johannesburg
2001

PO Box 61051
Marshalltown
Johannesburg
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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