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PSG Konsult

2018

Results for the year ended
28 February 2018

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.

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WHAT WE OFFER

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

PSG WEALTH

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

PSG ASSET MANAGEMENT

- Investments
- Unit trusts
- Institutional portfolio management

PSG INSURE

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

SALIENT FEATURES

Recurring headline earnings per share

16% to 43.0 cents

2017: 37.2 cents | **2016:** 32.1 cents

Gross written premium*

15% to R3 296m

2017: R2 854m | **2016:** R2 490m

Number of advisers

5% to 784

2017: 744 | **2016:** 711

Total assets under management

17% to R205bn

2017: R175bn | **2016:** R154bn

Dividend per share

18% to 18.0 cents

2017: 15.3 cents | **2016:** 13.2 cents

Total assets under administration**

8% to R402bn

2017: R371bn | **2016:** R327bn

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

** *Includes assets administered by PSG Asset Management of R101bn*

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OUR MISSION

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

COMMENTARY

PSG Konsult delivered a solid 16% growth in recurring headline earnings per share and return on equity of 24%

OVERVIEW

PSG Konsult delivered a solid 16% growth in recurring headline earnings per share and a return on equity of 24%. This was during a year of tough operating conditions, in which the country continued to be plagued by low economic growth, low consumer and business confidence and volatile market conditions. Against this backdrop, the upward trajectory of our key operating and financial metrics demonstrates the resilience of our business model. Total assets under management increased by 17% to R205.4 billion, comprising assets managed by PSG Wealth of R162.7 billion and PSG Asset Management of R42.7 billion, while PSG Insure's gross written premium increased by 15% to R3.3 billion. Performance fees earned constituted 8.6% of headline earnings in comparison to 8.8% in the previous financial year.

PSG Konsult's key financial performance indicators for the financial year ended 28 February 2018 are shown below:

	28 Feb 18 R000	Change %	28 Feb 17 R000
Core income	**4 200 308**	11	3 789 371
Headline and recurring headline earnings	**566 396**	16	486 439
Non-headline items	**80**	(81)	423
Earnings attributable to ordinary shareholders	**566 476**	16	486 862
Divisional recurring headline earnings			
PSG Wealth	**339 129**	18	287 345
PSG Asset Management	**155 825**	20	130 245
PSG Insure	**71 442**	4	68 849
	566 396	16	486 439
Weighted average number of shares in issue (net of treasury shares) (millions)	**1 317.6**	1	1 307.1
Earnings per share (basic) (cents)			
– Headline and recurring headline	**43.0**	16	37.2
– Attributable	**43.0**	16	37.3
– Headline and recurring headline – excluding intangible amortisation cost	**46.4**	15	40.4
Dividend per share (cents)	**18.0**	18	15.3
Return on equity (ROE) (%)	**24.3**		25.3

PSG WEALTH

PSG Wealth achieved recurring headline earnings growth of 18%

We are satisfied with this result in the context of the prevailing investment market conditions. Management and other fees increased by 11% as the business continues to focus on recurring income and reducing its reliance on cyclical transactional brokerage fees, which increased by a notable 7% during the year under review. We continue to focus our efforts on enhancing our information technology (IT) system infrastructure and digital platforms, and all related costs continue to be fully expensed. Clients' assets managed by our Wealth advisers increased by 14% to R162.7 billion during the year under review, which included R11.8 billion of positive net inflows.

We remain confident about the fundamentals and prospects for this division and believe that our advisers and clients will gain, over the long term, from the client-centric digital projects we have embarked upon. We are particularly pleased with the division's formidable financial adviser network which grew by 5%, to 539 advisers, through both organic growth and selected acquisitions. The experience and stature of the advisers joining the firm continue to add credibility to our growing brand equity. We also continue to increase client engagement and gain market share.

PSG ASSET MANAGEMENT

PSG Asset Management's recurring headline earnings grew by 20%

The commendable results achieved by this division is testimony to the team's excellent long-term track record of delivering top-quartile risk-adjusted investment returns for our clients. The team's ability to consistently generate alpha for clients across all asset classes over the appropriate investment horizon remains compelling. Client assets under management increased by 29% to R42.7 billion during the year under review. This included R7.9 billion of positive net client inflows, predominately into our higher-margin funds, with the bulk coming from our retail-orientated target market. As such, we are pleased with the strong increase in high-quality annuity earnings from our ever increasing retail client base. PSG Asset Management continues to gain industry accolades, such as being voted as a top two South African fund house by both Plexcrown and Morningstar.

PSG INSURE

PSG Insure achieved recurring headline earnings growth of 4%

The group is satisfied with this achievement, against the backdrop of a 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 is starting to reap economies of scale benefits. It achieved gross written premium growth of 15% as we continue to focus our efforts on growing the commercial lines side of the business, which requires specialist adviser expertise. The comprehensive reinsurance programme we have in place reduced the adverse impact of catastrophe events, such as the Knysna fires that occurred during the year under review. This, when combined with our quality underwriting practices, allowed us to achieve a net underwriting margin of 8.3%, which is commendable despite being lower than the exceptional 9.7% we achieved in the prior year. The insurance advisers, who increased by 7% to 245, continue to gain market share on the commercial lines side. PSG Insure was voted overall national winner at the Old Mutual Insure 2017 Broker Awards ceremony, and also won the Santam National Broker of the Year for commercial lines award.

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 the experience and stature of advisers that have joined the business through organic growth and selective adviser acquisitions. PSG Wealth continues to invest in enhancing the strength and depth of our in-house investment research team and technology capabilities. This fully-fledged team has both fund and security investment research analysis capabilities. This year also saw an increased focus on digital marketing and initiatives to determine client needs in this regard. 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, continues to be 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 entrepreneurial best-of-breed partnership model that is in place with our advisers allows our advisers to operate their own businesses independently under the PSG brand and benefit from the central services provided. Key central services 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.

CORPORATE ACTIVITY

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

PSG Wealth acquired the clients of 28E Capital, effective 1 April 2018. 28E Capital is a leading boutique brokerage that offers retail clients a specialist online platform. We continued to expand our financial adviser network both organically and through selective adviser business acquisitions, such as SP Wealth in Rosebank, to enable us to service and grow our client base. To simplify and standardise our adviser network, we also concluded a few remaining revenue-sharing standardisation arrangement transactions post-year-end.

PSG Insure concluded two acquisition agreements with Absa Insurance and Financial Advisers (AIFA), as announced on SENS on 26 September 2017 and 12 February 2018. Good progress is being made with the fulfilment of the conditions precedent in respect of the commercial and industrial short-term insurance brokerage business, with only some regulatory approvals remaining outstanding. We expect this to be completed in the immediate future, with an effective date circa mid-current year. The implementation of the acquisition of the remainder of the personal lines short-term insurance face-to-face advisory insurance brokerage business from AIFA is still in the early stages, and will follow a similar process to the first transaction. We expect this to be completed during the latter part of the 2019 financial year. PSG Insure also concluded an association agreement with firstEquity, a leading insurance adviser and service group, effective 1 November 2017. This business was merged with the PSG Insure Randburg short-term branch, creating a business with significant scale. These three transactions will add a further 152 advisers and over 77 000 new clients to our business.

Subsequent to year-end, PSG Insure concluded an agreement to acquire the remaining 40% shareholding in the Western Group's Namibian entities, currently held by Santam.

CAPITAL MANAGEMENT

PSG Konsult is strongly capitalised and already complies with the more stringent capital requirements of Solvency Assessment and Management (SAM). Our strong financial position was also affirmed by the long and short-term investment grade national scale ratings assigned to PSG Konsult by rating agency Global Credit Rating Co. (GCR) of A-(ZA) and A1-(ZA), respectively, with a stable outlook.

PSG Konsult established a Domestic Medium Term Note (DMTN) programme to provide the business with a flexible, cost-effective funding structure that will internally fund our Scriptfin loan book. We concluded our maiden listing on the JSE's Interest Rate Market of a three-year R100 million senior unsecured floating rate note on 12 July 2017, at competitive rates. Other than the DMTN programme, the group has no material interest-bearing debt. In the longer term, however, building a credible track record with the debt market will naturally give the group overall funding flexibility.

We will maintain solid capital buffers at all times. At the same time, our strong cash flow and low debt position allow us several levers to optimise risk-adjusted returns for our shareholders. In pursuit of this objective, and in order to avoid share issuance dilution as a result of the exercising of the share options, we repurchased 15 712 951 PSG Konsult shares at an average effective price of R8.22, during the year under review. The PSG Konsult share incentive trust acquired 8 427 846 shares to meet obligations to participants of the share scheme, while the remaining 7 285 105 shares were acquired as treasury shares.

SHAREHOLDERS

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

PEOPLE

PSG Konsult had 211 adviser offices and 2 488 employees as at 28 February 2018, which included 784 financial planners, portfolio managers, stockbrokers and asset managers. In addition, we also have 418 professional associates (accountants and attorneys). During the year under review, 40 new advisers were appointed through a combination of organic growth and selective adviser book acquisitions. We strongly believe in building our own future talent and are confident that the investment in our graduate programme and the other key appointments we have made will allow us to build on our success and take the business to the next level.

CHANGES TO THE BOARD OF DIRECTORS

The board is pleased with the appointment of Zodwa Matsau as an independent non-executive director and a member of PSG Konsult's audit and risk committees, effective 20 July 2017. Zodwa brings a wealth of knowledge to the board after 18 years of experience at the South African Reserve Bank.

REGULATORY LANDSCAPE AND RISK MANAGEMENT

PSG Konsult, which has 20 regulatory licences (14 in South Africa and 6 in foreign jurisdictions), continues to foster good relationships with our regulators.

MARKETING

Marketing initiatives are important to the group's goal of becoming a leader in the financial services industry.

During the year under review, the specialist marketing team focused its efforts on increasing its public relations, digital exposure and adviser-hosted client events, and maintaining quality client communication during difficult market conditions. 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 group continues to invest in new and innovative technology as we seek 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 includes robust disaster recovery and business continuity plans, will create a solid foundation for future growth.

LOOKING FORWARD

The recent political party leadership changes that led to a strengthening of the rand have improved the mood of South Africans, resulting in clients being more optimistic and confident about their future financial well-being.

The group's aim remains to service existing clients in an integrated manner that is seamless and market-leading, as well as to gain new clients. Several 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 process, works. As such, the prospects for continued growth are compelling.

The cash-generative nature of the business gives PSG Konsult several options of funding business growth initiatives which are, ultimately, aimed at enhancing our overall client experience.

The group will continue to prioritise organic growth in the domestic market, where we have relatively low but rapidly expanding market shares. The group's capital position adequately takes into account our current growth plans.

EVENTS AFTER REPORTING DATE

No event material to the understanding of these results has occurred between 28 February 2018 and the date of approval of the condensed consolidated financial statements other than those disclosed in note 13 of the condensed consolidated financial statements.

DIVIDEND

Given our increased confidence in business prospects and an improved economic outlook, the board decided to approve and declare a final gross dividend of 12.3 cents per share for the 2018 financial year (2017: 10.2 cents per share), representing a 21% increase from the previous financial year, from income reserves. This brings the full year increase in the total dividend to 18%, which for the first time in several years is more than our per share earnings growth for the full year. The group's dividend payout ratio nevertheless remains at the low end of the dividend payout policy range announced 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 9.84 cents per share. The number of issued ordinary shares is 1 342 242 208 at the date of this declaration.
PSG Konsult's income tax reference number is 9550/644/07/5.

The following are the salient dates in relation to the dividend:

Last day to trade (cum dividend)	Tuesday, 8 May 2018
Trading ex dividend commences	Wednesday, 9 May 2018
Record date	Friday, 11 May 2018
Date of payment	Monday, 14 May 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 9 May 2018, and Friday, 11 May 2018, both days included.

The board would like to extend its gratitude to 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
19 April 2018

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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 2018 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 2018 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
Date: 19 April 2018

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 28 February 2018

	Reviewed as at 28 Feb 18 R000	Audited as at 28 Feb 17 R000
ASSETS		
Intangible assets	**1 027 805**	987 042
Property and equipment	**74 286**	53 469
Investment in joint ventures	**1 094**	1 178
Deferred income tax assets	**102 091**	96 651
Equity securities (note 6.5, note 7)	**2 321 482**	2 256 923
Debt securities (note 6.5, note 7)	**2 582 815**	2 835 244
Unit-linked investments (note 6.5, note 7)	**42 196 090**	37 653 998
Investment in investment contracts (note 6.5, note 7)	**14 798**	15 521
Loans and advances	**134 202**	134 308
Derivative financial instruments	**8 854**	14 593
Reinsurance assets	**80 544**	71 966
Deferred acquisition costs	**4 820**	4 073
Receivables including insurance receivables	**1 904 775**	1 529 894
Current income tax assets	**39 089**	22 608
Cash and cash equivalents (including money market investments) (note 6.5, note 7)	**1 920 626**	1 385 542
Total assets	**52 413 371**	47 063 010
EQUITY		
Equity attributable to owners of the parent		
Stated capital	**1 908 804**	1 749 505
Treasury shares	**(192 247)**	(59 206)
Other reserves	**(386 722)**	(399 700)
Retained earnings	**1 175 226**	862 689
	2 505 061	2 153 288
Non-controlling interest	**235 654**	197 212
Total equity	**2 740 715**	2 350 500
LIABILITIES		
Insurance contracts	**542 709**	544 235
Deferred income tax liabilities	**18 894**	24 089
Borrowings	**103 695**	37 791
Derivative financial instruments	**16 857**	17 379
Investment contracts (note 6.5, note 7)	**24 278 949**	22 560 598
Third-party liabilities arising on consolidation of mutual funds (note 6.5)	**22 585 256**	19 690 982
Deferred reinsurance acquisition revenue	**3 681**	3 731
Trade and other payables	**2 116 527**	1 821 500
Current income tax liabilities	**6 088**	12 205
Total liabilities	**49 672 656**	44 712 510
Total equity and liabilities	**52 413 371**	47 063 010
Net asset value per share (cents)	**190.1**	164.0

CONDENSED CONSOLIDATED INCOME STATEMENT

for the year ended 28 February 2018

	Reviewed Year ended 28 Feb 18 R000	Restated Audited Year ended 28 Feb 17 R000
Gross written premium	1 181 333	1 010 058
Less: Reinsurance written premium	(296 740)	(247 116)
Net written premium	884 593	762 942
Change in unearned premium		
– Gross	28 477	54 462
– Reinsurers' share	(4 033)	(630)
Net insurance premium revenue	909 037	816 774
Commission and other fee income	2 880 635	2 606 092
Investment income	1 626 852	1 343 786
Net fair value gains and losses on financial instruments	2 053 793	972 866
Fair value adjustment to investment contract liabilities	(1 654 563)	(932 672)
Fair value adjustment to third-party liabilities	(1 722 789)	(1 065 313)
Other operating income	110 675	101 539
Total income	4 203 640	3 843 072
Insurance claims and loss adjustment expenses	(816 429)	(701 803)
Insurance claims and loss adjustment expenses recovered from reinsurers	187 368	120 620
Net insurance benefits and claims	(629 061)	(581 183)
Commission paid	(1 199 447)	(1 111 506)
Depreciation and amortisation[1]	(69 725)	(78 995)
Employee benefit expenses	(825 668)	(729 157)
Marketing, administration and other expenses	(571 842)	(536 936)
Total expenses	(3 295 743)	(3 037 777)
Share of profits of associated companies	–	32
Loss on impairment of associated companies	–	(35)
Share of (losses)/profits of joint ventures	(84)	2 268
Total (loss)/profit from associated companies and joint ventures	(84)	2 265
Profit before finance costs and taxation	907 813	807 560
Finance costs	(38 941)	(72 274)
Profit before taxation	868 872	735 286
Taxation	(256 221)	(203 416)
Profit for the year	612 651	531 870
Attributable to:		
Owners of the parent	566 476	486 862
Non-controlling interest	46 175	45 008
	612 651	531 870
Earnings per share (cents)		
Attributable (basic)	43.0	37.3
Attributable (diluted)	42.6	36.8
Headline and recurring headline (basic)	43.0	37.2
Headline and recurring headline (diluted)	42.6	36.8

[1] *Includes amortisation cost on intangible assets of R45.6 million (2017: R55.5 million).*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 28 February 2018

	Reviewed Year ended 28 Feb 18 R000	Audited Year ended 28 Feb 17 R000
Profit for the year	612 651	531 870
Other comprehensive income for the year, net of taxation	(1 851)	(14 900)
To be reclassified to profit and loss:		
Currency translation adjustments	(1 851)	(14 900)
Total comprehensive income for the year	610 800	516 970
Attributable to:		
Owners of the parent	564 625	471 962
Non-controlling interest	46 175	45 008
	610 800	516 970

EARNINGS AND HEADLINE EARNINGS PER SHARE

for the year ended 28 February 2018

	Reviewed Year ended 28 Feb 18 R000	Audited Year ended 28 Feb 17 R000
Headline earnings	566 396	486 439
Recurring	566 396	486 439
Non-recurring	–	–
Non-headline items (net of non-controlling interest and related tax effect)		
(Loss)/profit on disposal of intangible assets (including goodwill)	(148)	83
Other	228	340
Profit attributable to ordinary shareholders	566 476	486 862
Earnings per share (cents)		
Attributable (basic)	43.0	37.3
Attributable (diluted)	42.6	36.8
Headline and recurring headline (basic)	43.0	37.2
Headline and recurring headline (diluted)	42.6	36.8
Number of shares (millions)		
In issue (net of treasury shares)	1 317.5	1 313.1
Weighted average (net of treasury shares)	1 317.6	1 307.1

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February 2018

	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 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 for the year	–	–	(14 900)	–	–	(14 900)
Total comprehensive income for the year	–	–	(14 900)	486 862	45 088	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)	–	–
Dividends paid	–	–	–	(181 002)	(5 291)	(186 293)
Balance at 28 February 2017 (Audited)	1 749 505	(59 206)	(399 700)	862 689	197 212	2 350 500
Comprehensive income						
Profit for the year	**–**	**–**	**–**	**566 476**	**46 175**	**612 651**
Other comprehensive income for the year	**–**	**–**	**(1 851)**	**–**	**–**	**(1 851)**
Total comprehensive income for the year	**–**	**–**	**(1 851)**	**566 476**	**46 175**	**610 800**
Transactions with owners	**159 299**	**(133 041)**	**14 829**	**(253 939)**	**(7 733)**	**(220 585)**
Issue of ordinary shares	**159 299**	**–**	**–**	**–**	**–**	**159 299**
Share-based payment costs	**–**	**–**	**36 079**	**–**	**–**	**36 079**
Capital contribution by non-controlling interest	**–**	**–**	**–**	**–**	**432**	**432**
Net movement in treasury shares	**–**	**(126 788)**	**–**	**–**	**–**	**(126 788)**
Current tax on equity-settled share-based payments	**–**	**–**	**16 404**	**–**	**–**	**16 404**
Deferred tax on equity-settled share-based payments	**–**	**–**	**(5 089)**	**–**	**–**	**(5 089)**
Loss on issue of shares in terms of share scheme	**–**	**–**	**(83 673)**	**–**	**–**	**(83 673)**
Release of share-based payment reserve to retained earnings on vested share options	**–**	**–**	**51 108**	**(51 108)**	**–**	**–**
Release of profits from treasury shares to retained earnings	**–**	**(6 253)**	**–**	**6 253**	**–**	**–**
Dividends paid	**–**	**–**	**–**	**(209 084)**	**(8 165)**	**(217 249)**
Balance at 28 February 2018 (Reviewed)	**1 908 804**	**(192 247)**	**(386 722)**	**1 175 226**	**235 654**	**2 740 715**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 28 February 2018

	Reviewed Year ended 28 Feb 18 R000	Restated Audited Year ended 28 Feb 17 R000
Cash flows from operating activities		
Cash utilised in operations	**(487 401)**	(727 577)
Interest income	**1 203 376**	961 504
Dividend income	**423 476**	381 849
Finance costs	**(23 105)**	(28 521)
Taxation paid	**(276 860)**	(364 747)
Operating cash flows before policyholder cash movement	**839 486**	222 508
Policyholder cash movement	**(13 238)**	(100 652)
Net cash flow from operating activities	**826 248**	121 856
Cash flows from investing activities		
Acquisition of subsidiaries (including collective investment schemes)	**–**	30 916
Acquisition of intangible assets	**(68 497)**	(28 069)
Purchases of property and equipment	**(45 321)**	(23 428)
Proceeds from disposal of non-current assets held for sale	**–**	38 948
Proceeds from disposal of investment property	**–**	7 445
Other	**860**	6 763
Net cash flow from investing activities	**(112 958)**	32 575
Cash flows from financing activities		
Dividends paid	**(217 249)**	(186 293)
Capital contribution by non-controlling interest (ordinary shares)	**432**	750
Advance of borrowings	**100 000**	–
Repayment of borrowings	**(3 612)**	(4 822)
Shares issued	**70 339**	81 959
Holding company's treasury shares sold by subsidiary	**172 170**	203 744
Purchase of holding company's treasury shares	**(298 958)**	(251 822)
Net cash flow from financing activities	**(176 878)**	(156 484)
Net increase/(decrease) in cash and cash equivalents	**536 412**	(2 053)
Cash and cash equivalents at beginning of the year	**1 385 542**	1 395 952
Exchange losses on cash and cash equivalents	**(1 328)**	(8 357)
Cash and cash equivalents at end of the year[1]	**1 920 626**	1 385 542
[1] *Includes the following:*		
Clients' cash linked to investment contracts	**974**	14 212
Other client-related balances	**353 759**	89 211
	354 733	103 423

Notes to the statement of cash flows:

The movement in cash utilised in operations can vary significantly as a result of daily fluctuations in cash linked to investment contracts, cash held by the stockbroking business and cash utilised for the loan facility obtained by the group on the loan facilities provided to clients on their share portfolios at PSG Securities Limited. PSG Life Limited, the group's linked insurance company, issues linked policies to policyholders (where the value of policy benefits is directly linked to the fair value of the supporting assets). When these policies mature, the company raises a debtor for the money receivable from the third-party investment provider, and raises a creditor for the amount owing to the client. A timing difference occurs at month-end when the money was received from the third-party investment provider, but only paid out by the company after month-end, resulting in significant fluctuations in the working capital of the company. Similar working capital fluctuations occur at PSG Securities Limited, the group's stockbroking business, mainly due to the timing of the close of the JSE in terms of client settlements. Refer to note 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 2018

1. REPORTING ENTITY
PSG Konsult Limited is a public company domiciled in the Republic of South Africa. The condensed consolidated financial statements as at and for the year ended 28 February 2018, comprise the company and its subsidiaries (together referred to as the 'group') and the group's interest in joint ventures.

2. BASIS OF PREPARATION
The condensed consolidated preliminary financial statements are prepared in accordance with the requirements of the JSE Limited (JSE) and the requirements of the Companies Act, No. 71 of 2008, as amended, applicable to summary financial statements. The JSE requires summary financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial 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. A few enhancements were made to the summary financial statements; refer to note 14 for further details.

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 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 conclusion 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 28 February 2017.

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 2017 or early adopted:

- Amendment to IAS 7 – Statement of cash flows – Disclosure initiative
- Amendments to IAS 12 – Income taxes – Recognition of deferred tax assets for unrealised losses
- Amendment to IFRS 2 – Share-based payment

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

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 28 February 2017.

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. SEGMENT INFORMATION (continued)

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 yet 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 of the most appropriate solution for its clients. In addition to the intermediary services which PSG Insure offers, PSG Short-Term Administration supports clients through the claim process, administrative issues and general policy maintenance, including an annual reappraisal of their portfolio.

The CODM considers the performance of reportable segments based on total core income as a measure of growth and headline earnings as a measure of profitability. In order to evaluate the core results of the group, the CODM segregates the income statement by eliminating the impact of the linked investment policies issued and the consolidation of the collective investment schemes from the core operations in the group.

A subsidiary of the group, PSG Life Limited, is a linked insurance company 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 assets 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.

6.2 Headline earnings per reportable segment

Headline earnings	Wealth R000	Asset Management R000	Insure R000	Total R000
For the year ended 28 February 2018 (Reviewed)				
Headline earnings[1]	**339 129**	**155 825**	**71 442**	**566 396**
– recurring	**339 129**	**155 825**	**71 442**	**566 396**
– non-recurring	**–**	**–**	**–**	**–**
For the year ended 28 February 2017 (Audited)				
Headline earnings[1]	287 345	130 245	68 849	486 439
– recurring	287 345	130 245	68 849	486 439
– non-recurring	–	–	–	–

[1] *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.*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 28 February 2018

6. SEGMENT INFORMATION (continued)

6.3 Income per reportable segment

For the year ended 28 February 2018 (Reviewed)	Wealth R000	Asset Management R000	Insure R000	Total R000
Total IFRS reported income	2 133 530	527 188	1 542 922	4 203 640
Linked investment business and other income	(3 332)	–	–	(3 332)
Total core income	2 130 198	527 188	1 542 922	4 200 308
Total segment income	2 931 355	825 512	1 593 439	5 350 306
Intersegment income	(801 157)	(298 324)	(50 517)	(1 149 998)

For the year ended 28 February 2017 (Audited) (Restated)	Wealth[1] R000	Asset Management R000	Insure R000	Total[1] R000
Total IFRS reported income	2 014 817	445 598	1 382 657	3 843 072
Linked investment business and other income	(53 701)	–	–	(53 701)
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)

[1] *Comparative figures have been restated to include the fair value adjustment to third-party liabilities, which arises as a result of the consolidation of the collective investments schemes, as part of both the total IFRS reported income and the linked investment business and other income. The reclassification has no impact on total core income. Refer to note 14 for the detail of the reclassification.*

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 statement

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

For the year ended 28 February 2018 (Reviewed)	Wealth R000	Asset Management R000	Insure R000	Total R000
Total income	2 130 198	527 188	1 542 922	4 200 308
Total expenses	(1 618 621)	(314 333)	(1 391 731)	(3 324 685)
	511 577	212 855	151 191	875 623
Total loss from joint ventures	–	–	(84)	(84)
Profit before finance costs and taxation	511 577	212 855	151 107	875 539
Finance costs[1]	(22 504)	(540)	(61)	(23 105)
Profit before taxation	489 073	212 315	151 046	852 434
Taxation	(142 496)	(56 460)	(40 827)	(239 783)
Profit for the year	346 577	155 855	110 219	612 651
Attributable to:				
Owners of the parent	339 031	155 855	71 590	566 476
Non-controlling interest	7 546	–	38 629	46 175
	346 577	155 855	110 219	612 651
Headline and recurring headline earnings	339 129	155 825	71 442	566 396

For the year ended 28 February 2017 (Audited)	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[1]	(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 and recurring headline earnings	287 345	130 245	68 849	486 439

[1] *Finance costs in the PSG Wealth division include the finance charge on the funding utilised to provide loan facilities to clients on their share portfolios at PSG Securities (secured by the underlying JSE Top 100 equity securities held in excess of four times the value of the loan facilities) on which PSG Wealth receives a margin. The finance costs of R22.5 million (2017: R26.9 million) consist of R8.0 million (2017: R15.3 million) on the loan funding, with the remaining portion of the finance charge on the CFD margin and the bank overdrafts.*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 28 February 2018

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 2018 (Reviewed)	Total IFRS reported R000	Own balances R000	Client-related balances R000
ASSETS			
Equity securities	2 321 482	17 279	2 304 203
Debt securities	2 582 815	50 974	2 531 841
Unit-linked investments	42 196 090	629 630	41 566 460
Investment in investment contracts	14 798	–	14 798
Receivables including insurance receivables	1 904 775	310 491	1 594 284
Derivative financial instruments	8 854	–	8 854
Cash and cash equivalents (including money market investments)	1 920 626	1 565 893	354 733
Other assets[1]	1 463 931	1 463 931	–
Total assets	52 413 371	4 038 198	48 375 173
EQUITY			
Equity attributable to owners of the parent	2 505 061	2 505 061	–
Non-controlling interest	235 654	235 654	–
Total equity	2 740 715	2 740 715	–
LIABILITIES			
Borrowings[2]	103 695	2 467	101 228
Investment contracts	24 278 949	–	24 278 949
Third-party liabilities arising on consolidation of mutual funds	22 585 256	–	22 585 256
Derivative financial instruments	16 857	–	16 857
Trade and other payables	2 116 527	723 644	1 392 883
Other liabilities[3]	571 372	571 372	–
Total liabilities	49 672 656	1 297 483	48 375 173
Total equity and liabilities	52 413 371	4 038 198	48 375 173

[1] *Other assets consist of property and equipment, intangible assets, investment in joint ventures, current and deferred income tax assets, loans and advances, reinsurance assets and deferred acquisition costs.*
[2] *The DMTN programme funding raised in order to internally fund the clients' Scriptfin loans has been reflected under client-related balances.*
[3] *Other liabilities consist of deferred reinsurance acquisition revenue, current and deferred income tax liabilities and insurance contracts.*

6. SEGMENT INFORMATION (continued)

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

As at 28 February 2017 (Audited)	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]	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[2]	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

[1] *Other assets consist of property and equipment, intangible assets, investment in joint ventures, current and deferred income tax assets, loans and advances, reinsurance assets and deferred acquisition costs.*
[2] *Other liabilities consist of deferred reinsurance acquisition revenue, current and deferred income tax liabilities and insurance contracts.*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 28 February 2018

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 in the group.

For the year ended 28 February 2018 (Reviewed)	Total IFRS reported R000	Core business R000	Linked investment business and other R000
Commission and other fee income[3]	**2 880 635**	**3 064 790**	**(184 155)**
Investment income	**1 626 852**	**191 200**	**1 435 652**
Net fair value gains and losses on financial instruments	**2 053 793**	**16 972**	**2 036 821**
Fair value adjustment to investment contract liabilities	**(1 654 563)**	**–**	**(1 654 563)**
Fair value adjustment to third-party liabilities	**(1 722 789)**	**–**	**(1 722 789)**
Other[1]	**1 019 712**	**927 346**	**92 366**
Total income	**4 203 640**	**4 200 308**	**3 332**
Insurance claims and loss adjustment expenses	**(816 429)**	**(816 429)**	**–**
Other[2, 3]	**(2 479 314)**	**(2 508 256)**	**28 942**
Total expenses	**(3 295 743)**	**(3 324 685)**	**28 942**
Total loss from joint ventures	**(84)**	**(84)**	**–**
Profit before finance costs and taxation	**907 813**	**875 539**	**32 274**
Finance costs	**(38 941)**	**(23 105)**	**(15 836)**
Profit before taxation	**868 872**	**852 434**	**16 438**
Taxation	**(256 221)**	**(239 783)**	**(16 438)**
Profit for the year	**612 651**	**612 651**	**–**
Attributable to:			
Owners of the parent	**566 476**	**566 476**	**–**
Non-controlling interest	**46 175**	**46 175**	**–**
	612 651	**612 651**	**–**

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

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

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

6. SEGMENT INFORMATION (continued)

6.6 Income statement (client vs own) (continued)

For the year ended 28 February 2017 (Audited) (Restated)	Total IFRS reported R000	Core business R000	Linked investment business and other R000
Commission and other fee income[3, 5]	2 606 092	2 759 560	(153 468)
Investment income[5]	1 343 786	164 069	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)
Fair value adjustment to third-party liabilities[4]	(1 065 313)	–	(1 065 313)
Other[1, 3]	918 313	849 383	68 930
Total income	3 843 072	3 789 371	53 701
Insurance claims and loss adjustment expenses	(701 803)	(700 589)	(1 214)
Other[2, 3]	(2 335 974)	(2 343 541)	7 567
Total expenses	(3 037 777)	(3 044 130)	6 353
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	–

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

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

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

4 *Comparative figures have been restated to include the fair value adjustment to third-party liabilities, which arises as a result of the consolidation of the collective investments schemes, as part of both the total IFRS reported income and the linked investment business and other income. The reclassification has no impact on the core income statement. Refer to note 14 for the detail of the reclassification.*

5 *Fees received by PSG Securities Limited from the JSE, which were previously disclosed under investment income, have now been shown as commission and other fee income on the core income statement in order to more correctly reflect the nature of these fees.. Refer to note 14 for the detail of the restatement.*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 28 February 2018

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 2018 (Reviewed)	Total IFRS reported R000	Own balances R000	Client-related balances R000
Cash flows from operating activities	**826 248**	**674 938**	**151 310**
Cash (utilised in)/generated by operations	**(487 401)**	**754 527**	**(1 241 928)**
Interest income	**1 203 376**	**188 355**	**1 015 021**
Dividend income	**423 476**	**2 846**	**420 630**
Finance costs	**(23 105)**	**(23 105)**	**–**
Taxation paid	**(276 860)**	**(247 685)**	**(29 175)**
Policyholder cash movement	**(13 238)**	**–**	**(13 238)**
Cash flows from investing activities	**(112 958)**	**(112 958)**	**–**
Cash flows from financing activities[1]	**(176 878)**	**(276 878)**	**100 000**
Net increase in cash and cash equivalents	**536 412**	**285 102**	**251 310**
Cash and cash equivalents at beginning of the year	**1 385 542**	**1 282 119**	**103 423**
Exchange losses on cash and cash equivalents	**(1 328)**	**(1 328)**	**–**
Cash and cash equivalents at end of the year	**1 920 626**	**1 565 893**	**354 733**

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

6. SEGMENT INFORMATION (continued)

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

For the year ended 28 February 2017 (Audited) (Restated)	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[3]	(727 577)	511 487	(1 239 064)
Interest income[3]	961 504	156 404	805 100
Dividend income	381 849	7 316	374 533
Finance costs	(28 521)	(28 521)	–
Taxation paid[1]	(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[2]	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 the 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 the year	1 385 542	1 282 119	103 423

[1] *The taxation paid relating to own balances includes R114.3 million which was paid to settle the PSG Life tax matter in March 2016.*

[2] *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.*

[3] *The fees received by PSG Securities Limited from the JSE, which were previously disclosed under investment income, have now been shown as commission and other fee income, which impacts the cash (utilised in)/ generated by operations. This related to own balances, however, had no impact on the total cash flows from operating activities. Refer to note 14 for the detail of the restatement.*

7. INVESTMENT CONTRACTS

Investment contracts are represented by the following financial assets:

	Reviewed as at 28 Feb 18 R000	Audited as at 28 Feb 17 R000
Equity securities	**2 192 586**	2 154 854
Debt securities	**483 551**	443 311
Unit-linked investments	**21 587 040**	19 932 700
Investments in investment contracts	**14 798**	15 521
Cash and cash equivalents	**974**	14 212
	24 278 949	22 560 598

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 28 February 2018

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 372.6 million (2017: R1 230.5 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 trade and other payables, with the settlement to the clients taking place within three days after the transaction date.

9. NOTES TO THE STATEMENT OF CASH FLOWS

9.1 Acquisition of subsidiaries (including collective investment schemes)

For the year ended 28 February 2017

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 entities within the group.

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:	2017 R000	2017 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 equity interest held before the business combination	(587 377)	(1 081 214)
Total consideration paid	–	–

9.2 Non-current assets held for sale

For the year ended 28 February 2017

PSG Konsult Limited (through its subsidiary Western Group Holdings Limited) sold 100% of its shareholding in the logistics company, Xinergistix Limited, for R41.5 million effective on 1 December 2016.

9.3 Other acquisitions – standardising of revenue sharing model

For the year ended 28 February 2018

The group (through its subsidiary PSG Wealth Financial Planning Proprietary Limited) concluded various asset-for-share transactions (utilising section 42 of the Income Tax Act, No. 58 of 1962) 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 (0.6 million shares at an average of R8.97 per share) and a cash consideration of R17.3 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 R1.1 million to our headline earnings during the 2018 financial year, net of amortisation cost of R0.5 million.

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

9.3 Other acquisitions – standardising of revenue sharing model (continued)

For the year ended 28 February 2017

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, No. 58 of 1962) as well as further revenue sharing arrangements with a large 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.

10. 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 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 2018.

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 risk)

Market risk is the risk of an 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 is valued at fair value and is therefore susceptible to market fluctuations.

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

Included in the equity securities of R2 321.5 million (2017: R2 256.9 million) are quoted equity securities of R2 321.2 million (2017: R2 256.6 million), of which R2 192.6 million (2017: R2 154.9 million) relates to investments in linked investment contracts. The price risk of these instruments is carried by the policyholders of the linked investment contracts.

Unit-linked investments of R21 587.0 million (2017: R19 932.7 million) are linked to investment contracts and do not directly expose the group to price or interest rate risk.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 28 February 2018

10. FINANCIAL RISK MANAGEMENT (continued)

Debt securities linked to policyholder investments amounted to R483.6 million (2017: R443.3 million) and do not expose the group to interest rate risk. Cash and cash equivalents linked to policyholder investments amounted to R1.0 million (2017: R14.2 million) and do not expose the group to interest rate risk.

Fair value estimation

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

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

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

The table below analyses financial assets and liabilities, which are carried at fair value, by valuation method. There were no significant changes in the valuation techniques and assumptions applied since 28 February 2017.

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

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

10. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

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 2018 (Reviewed)	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
Financial assets				
Derivative financial instruments	**–**	**8 854**	**–**	**8 854**
Equity securities	**2 321 235**	**7**	**240**	**2 321 482**
Debt securities	**922 377**	**1 500 509**	**–**	**2 422 886**
Unit-linked investments	**–**	**41 478 953**	**717 137**	**42 196 090**
Investment in investment contracts	**–**	**14 798**	**–**	**14 798**
	3 243 612	**43 003 121**	**717 377**	**46 964 110**
Financial liabilities				
Derivative financial instruments	**–**	**16 857**	**–**	**16 857**
Investment contracts	**–**	**23 420 874**	**698 146**	**24 119 020**
Trade and other payables	**–**	**–**	**45 344**	**45 344**
Third-party liabilities arising on consolidation of mutual funds	**–**	**22 585 256**	**–**	**22 585 256**
	–	**46 022 987**	**743 490**	**46 766 477**

As at 28 February 2017 (Audited)	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
Financial assets				
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				
Derivative financial instruments	–	17 379	–	17 379
Investment contracts	–	21 317 267	1 099 239	22 416 506
Trade and other payables	–	–	38 141	38 141
Third-party liabilities arising on consolidation of mutual funds	–	19 690 982	–	19 690 982
	–	41 025 628	1 137 380	42 163 008

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 28 February 2018

10. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

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

	Reviewed 28 Feb 18 R000	Audited 28 Feb 17 R000
Assets		
Opening carrying value	**1 109 600**	1 309 224
Additions	**487 832**	192 189
Disposals	**(903 023)**	(423 345)
Gains recognised in profit and loss[1]	**22 968**	31 532
Closing carrying value	**717 377**	1 109 600
Liabilities		
Opening carrying value	**1 137 380**	1 304 281
Additions	**541 839**	250 598
Disposals	**(962 005)**	(449 047)
Losses recognised in profit and loss[2]	**26 276**	31 548
Closing carrying value	**743 490**	1 137 380

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

[2] *Losses recognised in profit and loss were recognised under 'fair value adjustment to investment contract liabilities'.*

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

Trade and other payables classified within level 3 have significant unobservable inputs, as the valuation technique used to determine the fair values takes into account the probability (at each reporting period) that the contracted party will achieve the profit guarantee as stipulated in the business agreement.

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

	Reviewed 28 Feb 18 R000	Audited 28 Feb 17 R000
Assets		
Debt securities – held to maturity		
– Carrying value	**159 929**	144 092
– Fair value	**159 038**	141 481
Liabilities		
Investment contracts		
– Carrying value	**159 929**	144 092
– Fair value	**159 038**	141 481

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

11. RELATED-PARTY TRANSACTIONS

Related-party transactions similar to those disclosed in the group's annual financial statements for the year ended 28 February 2017 took place during the current financial year.

12. CAPITAL COMMITMENTS AND CONTINGENCIES

	Reviewed 28 Feb 18 R000	Audited 28 Feb 17 R000
Operating lease commitments	**142 975**	156 379
Capital commitments	**–**	1 943

13. 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 other than the following:

- Shareholders are referred to PSG Konsult's announcements made on 26 September 2017 and 12 February 2018 regarding the two acquisition agreements with Absa Insurance and Financial Advisers. The finalisation of the acquisition of AIFA's commercial and industrial short-term insurance brokerage business is pending some regulatory approvals, while the agreement to acquire the remainder of the personal lines short-term insurance face-to-face advisory insurance brokerage business is still in the early stages. Refer to the commentary for further details on these transactions.
- Subsequent to year-end, PSG Insure concluded an agreement to acquire the remaining 40% shareholding in the Western Group's Namibian entities, currently held by Santam Limited. The cash consideration paid will be approximately R47 million and will be funded from existing cash resources.
- The group concluded further revenue sharing arrangements (on the same basis as in the 2017 and 2018 financial years) with a number of its advisers during March 2018 for a consideration of R24.6 million.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 28 February 2018

14. RECLASSIFICATION AND RESTATEMENT OF PRIOR YEAR FIGURES
The following reclassification and restatement were applied to the 28 February 2017 results:

Fair value adjustment to third-party liabilities – reclassification
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 fund's income and expenses on the consolidated income statement. The group previously disclosed the fair value adjustment to third-party liabilities, which arises as a result of the consolidation of mutual funds, as part of expenses on the face of the income statement. In order to align where on the income statement the group discloses the fair value adjustments and investment income of the underlying assets of the consolidated collective investment schemes, a decision was taken to reflect the fair value adjustment to third-party liabilities as part of total income.

Fee income – restatement
Management performed a detailed analysis of the fees received by PSG Securities Limited from the JSE. As part of this assessment, management investigated certain fees which were previously disclosed under investment income in the 28 February 2017 financial statements. Based on the findings, management decided to disclose these fees as commission and other fee income in order to more correctly reflect the nature of these fees received from the JSE.

The reclassification and restatement had no impact on the current or prior year reported earnings, diluted earnings or headline earnings per share, or on the net asset value or net cash flow. The financial effects of the reclassification and restatement are set out below:

	As previously stated R000	Reclassification – fair value adjustment to third-party liabilities R000	Restatement – fee income R000	Restated R000
Consolidated income statement				
Total income				
Commission and other fee income	2 560 814	–	45 278	2 606 092
Investment income	1 389 064	–	(45 278)	1 343 786
Fair value adjustment to third-party liabilities	–	(1 065 313)	–	(1 065 313)
Total expenses				
Fair value adjustment to third-party liabilities	(1 065 313)	1 065 313	–	–
Consolidated statement of cash flows				
Cash flows from operating activities				
Cash utilised in operations	(772 855)	–	45 278	(727 577)
Interest income	1 006 782	–	(45 278)	961 504

CORPORATE INFORMATION

Non-executive directors
W Theron (Chairman)
PJ Mouton
J de V du Toit^
PE Burton*
ZL Combi*
R Stassen*
ZRP Matsau* *(Appointed 20 July 2017)*
*(^ Lead independent; * Independent)*

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

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

PSG Konsult head office and registered office
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Company secretary
PSG Management Services Proprietary Limited

Listings
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Namibian Stock Exchange (NSX)

Transfer secretary
Computershare Investor Services Proprietary Limited
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Marshalltown
2107

Sponsors
JSE sponsor: PSG Capital Proprietary Limited
NSX sponsor: PSG Wealth Management (Namibia) Proprietary Limited

Auditor
PricewaterhouseCoopers Inc.
Cape Town

Website address
www.psg.co.za

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