



PSG KONSULT TREASURY LIMITED
(Registration number 2014/196582/06)
Annual Financial Statements
for the year ended 28 February 2019

PSG KONSULT TREASURY LIMITED

(Registration number 2014/196582/06)

Annual Financial Statements for the year ended 28 February 2019

General Information

Country of incorporation and domicile	South Africa
Company registration number	2014/196582/06
Registered office	4th Floor, The Edge 3 Howick Close Tyger Waterfront Bellville 7530
Postal address	PO Box 3335 Tyger Valley 7536
Directors	MIF Smith W Theron FJ Gouws
Secretary	PSG Management Services Proprietary Limited
Bankers	ABSA Bank Limited Nedbank Limited
Auditor	PricewaterhouseCoopers Inc. Cape Town
Legal advisors	Cliffe Dekker Hofmeyr Inc.
Nature of business and principal activities	General treasury functions to the PSG Konsult Group
Holding company	PSG Konsult Limited
Ultimate holding company	PSG Group Limited
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act 71 of 2008.
Preparer	The preparation of the annual financial statements was supervised by: GC Krüger CA (SA)

PSG KONSULT TREASURY LIMITED

(Registration number 2014/196582/06)

Annual Financial Statements for the year ended 28 February 2019

Contents

	Page
Audit Committee Report	3 - 5
Directors' Responsibilities and Approval	6
Company Secretary's Certification	7
Directors' Report	8 - 9
Independent Auditor's Report	10 - 12
Statement of Financial Position	13
Statement of Profit or Loss and Other Comprehensive Income	14
Statement of Changes in Equity	15
Statement of Cash Flows	16
Accounting Policies	17 - 22
Notes to the Annual Financial Statements	23 - 35
Annexure A - Directors' remuneration	36

PSG KONSULT TREASURY LIMITED

(Registration number 2014/196582/06)

Annual Financial Statements for the year ended 28 February 2019

Audit Committee Report

The committee is pleased to present its report for the financial year ended 28 February 2019.

The audit committee of PSG Konsult Limited (PSG Konsult), the company's holding company, acts as the audit committee for the company. The PSG Konsult audit committee is an independent statutory committee appointed by the shareholders.

The committee is responsible for ensuring the integrity of integrated reporting and reviewing the effectiveness of the financial reporting process, the system of internal control and management of financial risks, the assurance process, and the company's process for monitoring compliance with laws and regulations and its own code of business conduct. The committee recommends the annual financial statements for approval to the board and is responsible for monitoring, engaging with, and determining the remuneration of the external auditor.

1. Composition and meeting proceedings

At 28 February 2019, the PSG Konsult audit committee consisted of 4 non-executive directors who act independently as described in Section 94 of the Companies Act.

For the financial year ended 28 February 2019, the members of the PSG Konsult audit committee were:

Membership and attendance	18 April 2018	10 October 2018
J de V Du Toit	✓	✓
PE Burton	✓	✓
ZL Combi	✓	✓
ZRP Matsau	✓	✓

✓ *Present*

The committee met twice, formally, in the financial year under review and had full attendance. In addition, an ad hoc meeting was held 23 May 2018 and attended by the majority of the committee. At the meetings, the members fulfilled all their functions as prescribed by the Companies Act, as well as those additional functions as determined by the board.

2. Duties

In execution of its statutory duties during the past financial year, the PSG Konsult audit committee has reviewed the annual financial statements, culminating in a recommendation to the board.

In the course of its review the committee

- takes appropriate steps to ensure that the financial statements are prepared in accordance with IFRS;
- considers and, when appropriate, makes recommendations on internal financial control;
- deals with concerns or complaints relating to:
 - accounting policies;
 - the auditing or content of annual financial statements, and
 - internal financial controls;
- reviews the external audit report on the annual financial statements;
- reviews the risk management reports and, where relevant, makes recommendations to the board;
- evaluates the effectiveness of risk management, controls and the governance processes;
- verifies the independence of the external auditor and of any nominee for appointment as the designated auditor;
- approves the audit fees and engagement terms of the external auditor; and
- determines the nature and extent of allowable non-audit services and approves the contract terms for the provision of non-audit services by the external auditor.

PSG KONSULT TREASURY LIMITED

(Registration number 2014/196582/06)

Annual Financial Statements for the year ended 28 February 2019

Audit Committee Report

3. Legal requirements

The PSG Konsult audit committee has complied with all applicable legal, regulatory and other responsibilities for the financial year.

4. External auditor

The board sets a policy that governs the level and nature of non-audit services, which requires pre-approval by the audit committee for all non-audit services. In determining the independence of the external auditors, the committee considers the level and types of non-audit services provided as well as other enquiries and representations. The prospect of mandatory audit firm rotation was also considered by the committee during the current financial year. As required by the Companies Act, the committee has satisfied itself that PSG Konsult Limited's external auditor, PricewaterhouseCoopers Inc., was independent of the company, as set out in sections 90(2)(c) and 94(8) of the Companies Act and is thereby able to conduct its audit functions without any undue influence from the company.

The committee has considered the relevant audit quality indicators, including the audit firm's system of quality control. The committee was satisfied with the quality of the audit concluded and has nominated, for re-appointment at the annual general meeting, PricewaterhouseCoopers Inc. as the external auditor of PSG Konsult Limited for the financial year ending 29 February 2020. Mr DG Malan, the current designated individual registered auditor, will rotate from the audit at the end of the 2019 financial year and Mr RA Botha, as the designated individual registered auditor, will undertake the audit of PSG Konsult on behalf of PricewaterhouseCoopers Inc. for the 2020 financial year.

PricewaterhouseCoopers Inc., being the audit firm, as well as Mr DG Malan, being PSG Konsult's individual auditor for the 2019 financial year, have been accredited on the JSE list of auditors in terms of the criteria in the JSE Listings Requirements. As required by section 3.84(g)(iii) of the JSE Listings Requirements, the committee has satisfied itself that PricewaterhouseCoopers Inc. and Mr RA Botha are suitable for reappointment as audit firm and individual auditor, respectively, by considering, inter alia, the information stated in paragraph 22.15(h) of the JSE Listings Requirements.

5. Financial function

In terms of the JSE Listings Requirements, the audit committee performs an annual evaluation of the financial reporting function in the company. The PSG Konsult audit committee was satisfied that the financial reporting function had appropriate resources, skills, expertise and experience.

6. Internal financial controls

The PSG Konsult audit committee evaluated the company's internal financial controls and based on the information and explanations given by management and the PSG Konsult group internal audit function, as well as discussions with the independent external auditor regarding the results of their audit, the committee is satisfied that there was no material breakdown in the internal financial controls during the financial year under review.

7. Governance of risk

The board has assigned oversight of the company's risk management function to the PSG Konsult risk committee. The chairman of the PSG Konsult risk committee is also the chairman of the PSG Konsult audit committee to ensure that information relevant to these committees is transferred effectively. The PSG Konsult audit committee oversees financial reporting risks, internal financial controls, fraud and IT risks as these relate to financial reporting.

8. Going concern

The PSG Konsult audit committee reviewed a documented assessment prepared by management, including key assumptions, of the going concern status of the company and made a recommendation to the board in accordance with this assessment.

PSG KONSULT TREASURY LIMITED

(Registration number 2014/196582/06)

Annual Financial Statements for the year ended 28 February 2019

Audit Committee Report

9. Financial statements

The PSG Konsult audit committee has evaluated the financial statements of the company for the year ended 28 February 2019 and, based on the information provided to the committee, considers that the company complies, in all material respects, with the requirements of the Companies Act, as amended, and IFRS.



PE Burton

Chairman of the PSG Konsult audit committee

Friday, 17 May 2019

PSG KONSULT TREASURY LIMITED

(Registration number 2014/196582/06)

Annual Financial Statements for the year ended 28 February 2019

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards. The external auditor is engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of directors sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

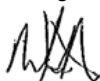
The directors have reviewed the company's cash flow forecast for the year to 29 February 2020 and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditor and their report is presented on pages 10 to 12.

The annual financial statements set out on pages 13 to 36, which have been prepared on the going concern basis, were approved by the board of directors on 17 May 2019 and were signed on their behalf by:



FJ Gouws



MIF Smith

PSG KONSULT TREASURY LIMITED

(Registration number 2014/196582/06)

Annual Financial Statements for the year ended 28 February 2019

Company Secretary's Certification

I hereby certify, in accordance with section 88(2)(e) of the Companies Act 71 of 2008, that for the year ended 28 February 2019, the company has lodged with the Commissioner of Companies all such returns as are required by a public company in terms of the Act and that all such returns are true, correct and up to date.



S Hamit (on behalf of PSG Management Services Proprietary Limited)

Company Secretary

Friday, 17 May 2019

PSG KONSULT TREASURY LIMITED

(Registration number 2014/196582/06)

Annual Financial Statements for the year ended 28 February 2019

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of PSG Konsult Treasury Limited for the year ended 28 February 2019.

1. Nature of business

The company carries out the business of finance and financing related activities.

2. Review of financial results and activities

Full details of the financial position, results of operations and cash flows of the company are set out in these annual financial statements.

3. Corporate governance

PSG Konsult Treasury Limited has adopted a board charter in line with the King IV Report on Corporate Governance™ for South Africa, 2016 principles and JSE Listings Requirements pertaining to debt issuers. The King IV™ application register is available on the PSG Konsult Limited website (www.psg.co.za).

4. Dividends

No dividends were declared during the year under review.

5. Share capital

Authorised			2019	2018
			Number of shares	Number of shares
Ordinary no par value shares			1 000	1 000
Issued	2019	2018	2019	2018
	R	R	Number of shares	Number of shares
Ordinary no par value shares	100	100	100	100

There have been no changes to the authorised or issued share capital during the year under review.

6. Events after the reporting period

There have been no facts or circumstances of a material nature that have occurred between 28 February 2019 and the date of approval of the financial statements.

7. Holding company

The company's holding company is PSG Konsult Limited (incorporated in South Africa and listed on the Johannesburg Stock Exchange).

8. Ultimate holding company

The company's ultimate holding company is PSG Group Limited (incorporated in South Africa and listed on the Johannesburg Stock Exchange).

9. Directorate

The directors in office at the date of this report are as follows:

Directors

MIF Smith

W Theron

FJ Gouws

There have been no changes to the directorate for the year under review.

PSG KONSULT TREASURY LIMITED

(Registration number 2014/196582/06)

Annual Financial Statements for the year ended 28 February 2019

Directors' Report

10. Secretary

The company secretary is PSG Management Services Proprietary Limited.

Postal address: PO Box 3335
Tyger Valley
7536

Business address: 4th Floor, The Edge
3 Howick Close
Tyger Waterfront
Bellville
7530

11. Auditors

PricewaterhouseCoopers Inc. will continue in office in accordance with section 90(6) of the Companies, Act No. 71 of 2008 as amended.

Independent auditor's report

To the Shareholder of PSG Konsult Treasury Limited

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of PSG Konsult Treasury Limited (the Company) as at 28 February 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

PSG Konsult Treasury Limited's financial statements set out on pages 13 to 36 comprise:

- the statement of financial position as at 28 February 2019;
 - the statement of profit or loss and other comprehensive income for the year then ended;
 - the statement of changes in equity for the year then ended;
 - the statement of cash flows for the year then ended; and
 - the notes to the financial statements, which include a summary of significant accounting policies.
-

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Other information

The directors are responsible for the other information. The other information comprises the information included in the PSG Konsult Treasury Limited Financial Statements for the year ended 28 February 2019, which includes the Audit Committee's Report, the Company Secretary's Certificate and the Directors' Report as required by the Companies Act of South Africa. Other information does not include the financial statements and our auditor's report thereon.

PricewaterhouseCoopers Inc., 5 Silo Square, V&A Waterfront, Cape Town 8002, P O BOX 2799, Cape Town 8000
T: +27 (21) 529 2000, F: +27 (21) 529 3300, www.pwc.co.za

Chief Executive Officer: T D Shango
Management Committee: S N Madikane, J S Masondo, P J Mothibe, C Richardson, F Tonelli, C Volschenk
Western Cape region – Partner in charge: D J Fölscher
The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of PSG Konsult Treasury Limited for 5 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: DG Malan

Registered Auditor

Cape Town

17 May 2019

PSG KONSULT TREASURY LIMITED

(Registration number 2014/196582/06)

Annual Financial Statements for the year ended 28 February 2019

Statement of Financial Position as at 28 February 2019

Figures in Rand	Note	2019	2018 Restated
Assets			
Non-Current Assets			
Deferred tax	3	18 565	17 764
Current Assets			
Loans to group companies	4	137 377 424	153 549 217
Trade and other receivables	5	3 181	3 499
Current tax receivable		-	538
Cash and cash equivalents	6	2 176 497	1 484 247
		139 557 102	155 037 501
Total Assets		139 575 667	155 055 265
Equity and Liabilities			
Equity			
Share capital	7	100	100
Retained earnings		1 100 767	658 512
		1 100 867	658 612
Liabilities			
Non-Current Liabilities			
Borrowings	8	100 000 000	100 000 000
Current Liabilities			
Borrowings	8	1 226 959	1 228 011
Loans from group companies	9	37 169 581	53 094 269
Trade and other payables	11	77 329	74 373
Current tax payable		931	-
		38 474 800	54 396 653
Total Liabilities		138 474 800	154 396 653
Total Equity and Liabilities		139 575 667	155 055 265

Due to a voluntary change in presentation format, the current/non-current distinction of Borrowings was disclosed on the statement of financial position which resulted in a disaggregation of Borrowings, as well as Loans from group companies now being separately disclosed. No changes were made to amounts previously presented as this information was previously presented in the notes to the annual financial statements.

PSG KONSULT TREASURY LIMITED

(Registration number 2014/196582/06)

Annual Financial Statements for the year ended 28 February 2019

Statement of Profit or Loss and Other Comprehensive Income

Figures in Rand	Note	2019	2018 Restated
Interest income on amortised cost financial instruments	12	13 403 097	13 063 056
Other operating expenses		(300 372)	(230 113)
Operating profit	13	13 102 725	12 832 943
Finance costs	14	(12 481 985)	(12 382 596)
Profit before taxation		620 740	450 347
Taxation	15	(178 485)	(130 785)
Profit for the year		442 255	319 562
Other comprehensive income		-	-
Total comprehensive income for the year		442 255	319 562
Total comprehensive income attributable to:			
Owners of the parent		442 255	319 562

Due to an amendment in IAS 1, investment income has now been disclosed as Interest income on amortised cost financial instruments on the statement of profit or loss and other comprehensive Income. Interest income was previously disclosed as Investment income on the statement of profit or loss and other comprehensive income. The restatement had no impact on the amounts previously disclosed in the annual financial statements.

PSG KONSULT TREASURY LIMITED

(Registration number 2014/196582/06)

Annual Financial Statements for the year ended 28 February 2019

Statement of Changes in Equity

Figures in Rand	Share capital	Retained earnings	Total equity
Balance at 01 March 2017	100	338 950	339 050
Profit for the year	-	319 562	319 562
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	319 562	319 562
Balance at 01 March 2018	100	658 512	658 612
Profit for the year	-	442 255	442 255
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	442 255	442 255
Balance at 28 February 2019	100	1 100 767	1 100 867

PSG KONSULT TREASURY LIMITED

(Registration number 2014/196582/06)

Annual Financial Statements for the year ended 28 February 2019

Statement of Cash Flows

Figures in Rand	Note	2019	2018
Cash flows from operating activities			
Cash used in operations	16	(50 311)	(100 315 886)
Interest received		13 403 415	13 059 557
Finance costs		(12 483 037)	(11 154 585)
Tax paid	17	(177 817)	(132 169)
Net cash flow from operating activities		692 250	(98 543 083)
Cash flows from financing activities			
Proceeds from borrowings	10	-	100 000 000
Net cash flow from financing activities		-	100 000 000
Total cash movement for the year		692 250	1 456 917
Cash at the beginning of the year		1 484 247	27 330
Total cash at end of the year	6	2 176 497	1 484 247

PSG KONSULT TREASURY LIMITED

(Registration number 2014/196582/06)

Annual Financial Statements for the year ended 28 February 2019

Accounting Policies

1. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

1.1 Basis of preparation

The annual financial statements of PSG Konsult Treasury Limited have been prepared in accordance with the JSE Listing Requirements and the requirements of the Companies Act. The JSE Listings Requirements require annual financial statements to be prepared in accordance with the framework concepts and the recognition and measurement requirements of IFRS, as defined by IAS 1; the IFRIC interpretations; the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee; the Financial Reporting Pronouncements, as issued by the Financial Reporting Standards Council, and the manner required by the Companies Act. The financial statements have been prepared under the historical cost convention.

The preparation of annual financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed further below.

1.2 Financial instruments

Financial instruments held by the company are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Financial instruments and risk management (note 20) presents the financial instruments held by the company based on their specific classifications.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the company are presented below:

PSG KONSULT TREASURY LIMITED

(Registration number 2014/196582/06)

Annual Financial Statements for the year ended 28 February 2019

Accounting Policies

1.2 Financial instruments (continued)

Loans to group companies

Classification

Loans to group companies (note 4), are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on these loans.

Recognition and measurement

Loans receivable are recognised when the company becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost less any expected credit loss allowance.

Interest income is calculated using the effective interest method, and is included in profit or loss and disclosed separately as Interest income on amortised cost financial instruments in the statement of profit and loss and other comprehensive income.

Expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses and are measured as the present value of all cash short falls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive).

The expected credit loss methodology applied depends on whether there has been a significant increase in credit risk. The company determines whether the credit risk on a financial instrument has increased significantly by comparing this risk of default occurring on the financial instrument as at the reporting date with the risk of default occurring on the financial instrument as at the date of initial recognition together with reasonable and supporting information that indicates a significant increase in credit risk since initial recognition. The credit risk will be determined to have significantly increased when the counterparty is assessed to be unable to repay expected future cash flows when due.

If there is no indication that there has been a significant increase in a financial instrument's credit risk since initial recognition, the loss allowance is measured at an amount equal to the 12-month expected credit loss. However if the credit risk on a financial instrument has increased significantly since initial recognition, the loss allowances are measured at an amount equal to lifetime expected credit losses. Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, whereas 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date.

An expected credit gain or loss is recognised in profit or loss for the amount of expected credit losses (or reversals) that is required to adjust the loss allowance at the reporting date.

The gross carrying amount of the financial asset is written off and reduced when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

PSG KONSULT TREASURY LIMITED

(Registration number 2014/196582/06)

Annual Financial Statements for the year ended 28 February 2019

Accounting Policies

1.2 Financial instruments (continued)

Trade and other receivables

Classification

Trade and other receivables are classified as financial assets subsequently measured at amortised cost (note 5).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost less any provision for expected credit losses.

Expected credit losses

Under IFRS 9, the company applies the simplified approach to calculate the provision for expected credit losses, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The movement in the amount of the provision is recognised in profit or loss.

Expected credit losses are a probability-weighted estimate of credit losses and are measured as the present value of all cash short falls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the company expects to receive).

An expected credit gain or loss is recognised in profit or loss for the amount of expected credit losses (or reversals) that is required to adjust the loss allowance at the reporting date.

The gross carrying amount of the financial asset is written off and reduced when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

Borrowings and loans from group companies

Classification

Borrowings (note 8) and loans from group companies (note 9) are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

Borrowings and loans from group companies are recognised when the company becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

Interest expense, calculated on the effective interest method, is included in profit or loss and disclosed as finance costs (note 14.)

PSG KONSULT TREASURY LIMITED

(Registration number 2014/196582/06)

Annual Financial Statements for the year ended 28 February 2019

Accounting Policies

1.2 Financial instruments (continued)

Trade and other payables

Classification

Trade and other payables (note 11) are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents consist of cash held at call with banks and other short-term highly liquid investments with maturities of three months or less. Cash and cash equivalents are measured at amortised cost using the effective interest method.

1.3 Financial instruments: IAS 39

Financial instruments recognised on the statement of financial position include loans to and from group companies, trade and other receivables, cash and cash equivalents, trade and other payables and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial Assets

The company classifies its financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, available-for-sale financial assets and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

These financial assets are classified as current assets if they are either held for trading or expected to be recovered within twelve months of the reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the company intends to sell in the short term. Loans and receivables are carried at amortised cost using the effective-interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts over the expected life of the financial asset, to the net carrying amount of the financial asset. The company's loans and receivables comprise of loans to group companies, trade and other receivables and cash and cash equivalents in the statement of financial position.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, other deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Recognition and measurement of financial assets

Purchases and sales of financial assets are recognised on trade date – the date on which the company commits to purchase or sell the asset. Loans and receivables, are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition. Loans and receivables are derecognised when the rights to receive cash flows from the loans and receivables have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership.

PSG KONSULT TREASURY LIMITED

(Registration number 2014/196582/06)

Annual Financial Statements for the year ended 28 February 2019

Accounting Policies

1.3 Financial instruments: IAS 39 (continued)

Impairment of financial assets

Loans and advances are considered impaired if, and only if, there is objective evidence of impairment as a result of events that occurred after initial asset recognition (known as loss events) and these loss events have an adverse impact on the assets' estimated future cash flows that can be reliably measured.

Financial liabilities

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

Financial liabilities include borrowings, and trade and other payables.

Financial liabilities are initially recognised at fair value less transaction costs that are directly attributable to the raising of the funds, for all financial liabilities carried at amortised cost.

Financial liabilities held at amortised cost are recognised initially at fair value and are subsequently stated at amortised cost using the effective interest rate method. Any differences (other than transaction charges) between net proceeds and the redemption value are recognised in profit or loss over the period of the borrowing using the effective interest rate method.

These financial liabilities are classified as current liabilities if they are either held for trading or expected to be settled within twelve months of the reporting date.

Financial liabilities, or a portion thereof, are derecognised when the obligation specified in the contract is discharged, cancelled or expired. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and settlement amounts paid are included in profit or loss.

Borrowings and loans from group companies

Borrowings and loans from group companies are recognised initially at fair value, net of transaction costs incurred. They are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss, within finance costs, over the period of the borrowings using the effective interest rate method.

Trade and other payables

Trade and other payables are recognised when the company has a present obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits from the company. Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective-interest rate method.

1.4 Tax

Tax expenses

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss.

The current income tax charge is calculated on the basis as set out in the South African Income Tax Act, No. 58 of 1962 (Income Tax Act).

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is determined using the tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

PSG KONSULT TREASURY LIMITED

(Registration number 2014/196582/06)

Annual Financial Statements for the year ended 28 February 2019

Accounting Policies

1.5 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds, net of tax.

1.6 Interest income on amortised cost financial instruments

Revenue comprises interest earned on cash and cash equivalents and loans to group companies. Interest income is recognised using the effective interest rate method and disclosed separately as interest income on amortised cost financial instruments in the statement of profit and loss and other comprehensive income.

1.7 Segment reporting

An operating segment is a component of the group engaged in business activities, whose operating results are reviewed regularly by management in order to make decisions about resources allocated to segments and assessing segment performance.

The chief operating decision maker, responsible for allocating resources and assessing performance of the operating segments, are the executive management committee that makes strategic decisions.

Decision making in relation to resource allocation or performance evaluation is performed at Company level. PSG Konsult Treasury Limited operates its business within the Republic of South Africa and deems all revenue and expenses to be subject to the economic conditions.

The company has therefore assessed to have one reportable segment as reported on its annual financial statements.

PSG KONSULT TREASURY LIMITED

(Registration number 2014/196582/06)

Annual Financial Statements for the year ended 28 February 2019

Notes to the Annual Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

The company has adopted the following new accounting standards as issued by the IASB, which were effective for the company from 1 March 2018:

- IFRS 9 – Financial instruments
- IFRS 15 – Revenue from contracts with customers

The changes in accounting policies were applied retrospectively, certain comparative figures were restated due to a change in presentation. If any differences were identified they would have been taken to opening retained earnings, however the impact of the adoption of IFRS 9 and IFRS 15 was immaterial and no adjustment is therefore presented.

IFRS 9 Financial Instruments

Financial assets

In assessing how financial assets should be classified and measured, IFRS 9 requires the assessment of:

- the business model applied to manage the financial assets; and
- the nature of contractual cash flows relating to the specific instrument, whether they solely represent payments of principal and interest.

The application of IFRS 9 for the company resulted in a change in the classification of financial assets from loans and receivables to amortised cost.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking expected credit loss model to calculate expected credit losses of financial assets. The new impairment model did not have a significant impact on the company as:

- the majority of the financial assets are short-term in nature; and
- the loans to group companies were assessed to be recoverable and the effect of discounting immaterial.

Financial liabilities

The requirement for the classification and measurement under IFRS 9 has not changed significantly from IAS 39. Financial liabilities are either held at fair value or at amortised cost. There were no changes in the classification of the company's financial liabilities.

Impact on adoption of IFRS 9

The net financial impact of the changes in classification and measurement after tax had a immaterial impact on opening retained earnings on 1 March 2018.

IFRS 9 introduced a consequential amendment to IAS 1- Presentation of financial statements, requiring interest income calculated using the effective interest rate method to be separately presented on the face of the income statement. Refer to the statement of profit or loss and other comprehensive income where this amendment has been made.

The following table shows the original classification and carrying amount under IAS 39, and the new carrying amount under IFRS 9 for each class of the company's financial assets and financial liabilities as at 1 March 2018:

	IAS 39 classification	IFRS 9 classification	IAS 39 carrying amount	IFRS 9 carrying amount	Difference
Financial Assets					
Loans from group companies	Loans and advances	Amortised cost	153 549 217	153 549 217	-
Trade and other receivables	Loans and advances	Amortised cost	3 499	3 499	-
Cash and cash equivalents	Loans and advances	Amortised cost	1 484 247	1 484 247	-
Financial Liabilities					
Borrowings	Amortised cost	Amortised cost	101 228 011	101 228 011	-
Trade and other payables	Amortised cost	Amortised cost	74 373	74 373	-
Loans from group companies	Amortised cost	Amortised cost	53 094 269	53 094 269	-

PSG KONSULT TREASURY LIMITED

(Registration number 2014/196582/06)

Annual Financial Statements for the year ended 28 February 2019

Notes to the Annual Financial Statements

2. New Standards and Interpretations (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 does not have an impact on the company financial statements as the income relates to interest on financial instruments which is specifically scoped out of IFRS 15.

2.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the company's accounting periods beginning on or after 01 March 2019 or later periods but are not relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after
<ul style="list-style-type: none">IFRS 17 Insurance Contracts	Date not yet finalised, following IASB due process
<ul style="list-style-type: none">Plan Amendment, Curtailment or Settlement - Amendments to IAS 19	01 January 2019
<ul style="list-style-type: none">Long-term Interests in Joint Ventures and Associates - Amendments to IAS 28	01 January 2019
<ul style="list-style-type: none">Prepayment Features with Negative Compensation - Amendment to IFRS 9	01 January 2019
<ul style="list-style-type: none">Amendments to IFRS 3 Business Combinations: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019
<ul style="list-style-type: none">Amendments to IFRS 11 Joint Arrangements: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019
<ul style="list-style-type: none">Amendments to IAS 12 Income Taxes: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019
<ul style="list-style-type: none">Amendments to IAS 23 Borrowing Costs: Annual Improvements to IFRS 2015 - 2017 cycle	01 January 2019
<ul style="list-style-type: none">Uncertainty over Income Tax Treatments	01 January 2019
<ul style="list-style-type: none">IFRS 16 Leases	01 January 2019

PSG KONSULT TREASURY LIMITED

(Registration number 2014/196582/06)

Annual Financial Statements for the year ended 28 February 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
3. Deferred tax		
Deferred tax asset		
Audit fee accrual	18 565	17 764
Reconciliation of deferred tax asset		
At beginning of year	17 764	16 918
Taxable temporary difference movement on audit fee accrual	801	846
At the end of the year	18 565	17 764
4. Loans to group companies		
Fellow subsidiaries		
PSG Scriptfin Proprietary Limited	100 000 000	119 757 430
PSG Life Limited	37 377 424	33 791 787
	137 377 424	153 549 217

The loans to group companies are unsecured, bear variable interest at an effective interest rate range of between 8.00% and 10.25% (2018: 8.25% and 10.50%) and are repayable on demand.

Intergroup balances impairment testing

The company applied IFRS 9 at 1 March 2018. Under IFRS 9, loss allowances for loans to group companies are measured under the general expected credit loss impairment model. There was no material change in the credit loss allowance between IAS 39 and IFRS 9 on 1 March 2019. The risk of default occurring over the expected life of the financial instrument has not increased significantly since initial recognition. For the year ended 28 February 2019, expected credit losses are therefore recognised for 12 months' expected credit loss. During the course of 2019 management reassessed the purpose and nature of these loans, as well as the recoverability. Based on this assessment management did not identify any loans which would not be recoverable, and the effect of discounting was considered to be immaterial.

5. Trade and other receivables

Financial instruments:

Interest receivable	3 181	3 499
---------------------	-------	-------

In terms of IFRS 9, the company has applied the simplified approach to determine the expected credit loss, which was assessed to be immaterial.

PSG KONSULT TREASURY LIMITED

(Registration number 2014/196582/06)

Annual Financial Statements for the year ended 28 February 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

6. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	1 490 555	956 602
Short-term deposits	685 942	527 645
	2 176 497	1 484 247

The effective interest rate on cash and cash equivalents was 6.39% (2018: 6.90%).

Expected credit losses on cash and cash equivalents for the 2019 financial year are measured on 12-month expected credit loss basis and reflect the short-term maturities of the exposures. The company considers that its cash and cash equivalents have good credit quality based on the external credit ratings of the counterparties. Expected credit losses is therefore assessed as immaterial.

7. Share capital

Authorised

1000 Ordinary no par value shares	1 000	1 000
-----------------------------------	-------	-------

Reconciliation of number of shares issued:

Reported as at 01 March	100	100
-------------------------	-----	-----

Issued

Ordinary no par value shares	100	100
------------------------------	-----	-----

All shares issued by the company were fully paid. The unissued shares in the company are placed under the control of the directors until the next annual general meeting.

8. Borrowings

Held at amortised cost

Secured

Domestic medium term note programme	101 226 959	101 228 011
-------------------------------------	-------------	-------------

PSG Konsult Treasury Limited established a R3 billion DMTN programme during the 2018 financial year. The maiden note issued of R100 million was fully subscribed to by ABSA Alternative Asset Management Proprietary Limited. The note has a three year term with a floating interest rate of the three month JIBAR plus a margin of 2.18%. The capital is repayable on 12 July 2020. PSG Konsult Limited provided an irrevocable, unconditional guarantee for all the obligations and liabilities of PSG Konsult Treasury Limited to and in favour of the noteholders of the notes issued.

Refer to Changes in liabilities arising from financing activities (note 10) for details of the movement in the borrowings during the reporting period.

9. Loans from group companies

Holding company

PSG Konsult Limited	37 169 581	53 094 269
---------------------	------------	------------

The loan is unsecured, bears variable interest at an effective interest rate range of 8.00% and 8.25% (2018: 8.25% and 8.50%) and is repayable on demand.

Refer to Changes in liabilities arising from financing activities (note 10) for details of the movement in loans from group companies during the reporting period.

PSG KONSULT TREASURY LIMITED

(Registration number 2014/196582/06)

Annual Financial Statements for the year ended 28 February 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

10. Changes in liabilities arising from financing activities

Reconciliation of movement in liabilities to the statement of cash flows - 2019

	Borrowings	Loans from group companies	Total
Carrying value at 1 March 2018	101 228 011	53 094 269	154 322 280
Cash flows – advance of borrowings	-	760 000	760 000
Cash flows – repayment of borrowings*	(9 187 726)	(19 980 000)	(29 167 726)
Other non-cash movements	9 186 674	3 295 311	12 481 985
Carrying value at 28 February 2019	101 226 959	37 169 580	138 396 539

Cash flows relating to operating activities and non-cash movements	(1 052)	(15 924 689)	(15 925 741)
--	---------	--------------	--------------

* Includes both the capital repaid as well as the interest payments.

Reconciliation of movement in liabilities to the statement of cash flows - 2018

	Borrowings	Loans from group companies	Total
Carrying value at 1 March 2017	-	112 951 102	112 951 102
Cash flows – advance of borrowings	100 000 000	2 271 796	102 271 796
Cash flows – repayment of borrowings*	(4 718 214)	(68 565 000)	(73 283 214)
Other non-cash movements	5 946 225	6 436 371	12 382 596
Carrying value at 28 February 2018	101 228 011	53 094 269	154 322 280

Cash flows relating to financing activities	100 000 000	-	100 000 000
Cash flows relating to operating activities and non-cash movements	1 228 011	(59 856 833)	(58 628 822)
	101 228 011	(59 856 833)	41 371 178

* Includes both the capital repaid as well as the interest payments.

11. Trade and other payables

Financial instruments:

Accrued audit fees	66 301	63 441
Facility fees payable	11 028	10 932
	77 329	74 373

12. Interest income on amortised cost financial instruments

Cash and cash equivalents	122 564	645 361
Interest received from related parties	13 280 533	12 417 695
	13 403 097	13 063 056

PSG KONSULT TREASURY LIMITED

(Registration number 2014/196582/06)

Annual Financial Statements for the year ended 28 February 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
13. Operating profit		
Operating profit for the year is stated after charging the following:		
Expenses by nature		
Audit fees	128 927	63 441
Bank Charges	154 739	149 586
Listing fees	16 706	17 086
	300 372	230 113
14. Finance costs		
Interest paid to DMTN noteholders	9 186 674	5 946 225
Interest paid to related party	3 295 311	6 436 371
Total finance costs	12 481 985	12 382 596
15. Taxation		
Major components of the tax expense		
Current		
Income tax - current period	179 286	131 631
Deferred		
Deferred tax	(801)	(846)
	178 485	130 785
Reconciliation of the tax expense		
Reconciliation between applicable tax rate and average effective tax rate.		
Applicable tax rate	28.00 %	28.00 %
Non-deductible charges - Listing fees	0.80 %	1.06 %
Prior period adjustments	- %	(0.02)%
	28.80 %	29.04 %
16. Cash used in operations		
Profit before taxation	620 740	450 347
Adjustments for:		
Interest income	(13 403 097)	(13 063 056)
Finance costs	12 481 985	12 382 596
Changes in working capital:		
Loans to group companies	16 171 793	(40 231 961)
Trade and other payables	2 956	3 021
Loans from group companies	(15 924 688)	(59 856 833)
	(50 311)	(100 315 886)

PSG Konsult Treasury has chosen to present changes in loans to and from group companies as operating cash flows as the cash effects of these movements relate to the entity's principal revenue-producing activities.

PSG KONSULT TREASURY LIMITED

(Registration number 2014/196582/06)

Annual Financial Statements for the year ended 28 February 2019

Notes to the Annual Financial Statements

Figures in Rand	2019	2018
17. Tax paid		
Balance at beginning of the year	538	-
Current tax for the year recognised in profit or loss	(179 286)	(131 631)
Balance at end of the year	931	(538)
	(177 817)	(132 169)

18. Related parties

Relationships

Holding company

Fellow subsidiaries

PSG Konsult Limited

PSG Life Limited

PSG Scriptfin Proprietary Limited

Related party balances

Included in loans to/(from) group companies

PSG Life Limited	37 377 424	33 791 787
PSG Konsult Limited	(37 169 581)	(53 094 269)
PSG Scriptfin Proprietary Limited	100 000 000	119 757 430

Related party transactions

Interest paid to (received from) group companies

PSG Life Limited	(3 585 636)	(3 303 850)
PSG Konsult Limited	3 295 311	6 436 371
PSG Scriptfin Proprietary Limited	(9 694 897)	(9 113 845)

19. Events after the reporting period

There have been no facts or circumstances of a material nature that have occurred between 28 February 2019 and the date of approval of the financial statements.

PSG KONSULT TREASURY LIMITED

(Registration number 2014/196582/06)

Annual Financial Statements for the year ended 28 February 2019

Notes to the Annual Financial Statements

20. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2019

	Note	Amortised cost	Total
Loans to group companies	4	137 377 424	137 377 424
Trade and other receivables	5	3 181	3 181
Cash and cash equivalents	6	2 176 497	2 176 497
		139 557 102	139 557 102

2018

	Note	Amortised cost	Total
Loans to group companies	4	153 549 217	153 549 217
Trade and other receivables	5	3 499	3 499
Cash and cash equivalents	6	1 484 247	1 484 247
		155 036 963	155 036 963

Categories of financial liabilities

2019

	Note	Amortised cost	Total
Borrowings	8	101 226 959	101 226 959
Loans from group companies	9	37 169 581	37 169 581
Trade and other payables	11	77 329	77 329
		138 473 869	138 473 869

2018

	Note	Amortised cost	Total
Borrowings	8	101 228 011	101 228 011
Loans from group companies	9	53 094 269	53 094 269
Trade and other payables	11	74 373	74 373
		154 396 653	154 396 653

The carrying value of these financial instruments approximates their fair value.

Due to a change in presentation format, Loans from group companies have been disclosed separately from Borrowings in the comparatives.

PSG KONSULT TREASURY LIMITED

(Registration number 2014/196582/06)

Annual Financial Statements for the year ended 28 February 2019

Notes to the Annual Financial Statements

20. Financial instruments and risk management (continued)

Financial risk management

Overview

The company's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Risk management is carried out under policies approved by the board of directors. The management of PSG Konsult Treasury Limited identifies, evaluates and mitigates financial risks. The board of directors provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investment of excess liquidity.

Financial instruments are grouped into the above classes in order to facilitate effective financial risk management and disclosure in terms of IFRS 7 Financial Instruments: Disclosures and IFRS 13 Fair Value Measurement.

Credit risk

Credit risk arises from cash and cash equivalents, loans to group companies and trade and other receivables. Counterparties and cash transactions are limited to high-credit-quality financial institutions. In the case of loans to group companies, management would take or insist on collateral or other form of securitisation as they deem fit.

The maximum exposure to credit risk is presented in the table below:

		2019			2018		
		Gross carrying amount	Credit loss allowance	Amortised cost	Gross carrying amount	Credit loss allowance	Amortised cost
Loans to group companies	4	137 377 424	-	137 377 424	153 549 217	-	153 549 217
Trade and other receivables	5	3 181	-	3 181	3 499	-	3 499
Cash and cash equivalents	6	2 176 497	-	2 176 497	1 484 247	-	1 484 247
		139 557 102	-	139 557 102	155 036 963	-	155 036 963

The company determined the credit loss allowance as prescribed by IFRS 9. The above financial assets are all categorised as Stage 1, due to there being no indication of a significant increase in credit risk.

Receivables are tested for impairment using a variety of techniques including assessing credit risk and monthly monitoring of individual debtors.

Financial assets are assessed based on their credit ratings as published by Moody's. Financial assets which fall outside this range are classified as not rated. Credit limits, for each counterparty, are set based on default probabilities that are in turn based on the ratings of the counterparty concerned.

PSG KONSULT TREASURY LIMITED

(Registration number 2014/196582/06)

Annual Financial Statements for the year ended 28 February 2019

Notes to the Annual Financial Statements

20. Financial instruments and risk management (continued)

The credit quality of financial assets can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	Trade and other receivables R	Loans to group companies R	Cash and cash equivalents R	Total R
28 February 2019				
P1*	3 181	-	2 176 497	2 179 678
Other non-rated assets	-	137 377 424	-	137 377 424
	3 181	137 377 424	2 176 497	139 557 102
	Trade and other receivables R	Loans to group companies R	Cash and cash equivalents R	Total R
28 February 2018				
P1*	3 499	-	1 484 247	1 487 746
Other non-rated assets	-	153 549 217	-	153 549 217
	3 499	153 549 217	1 484 247	155 036 963

* Moody's short-term rating (P1 - Issuers have a superior ability to repay short-term debt obligations)

Loans to group companies are payable on demand. These companies are monitored to ensure adequate income is generated by the related company to repay the loan when required.

Concentration

Some concentration of credit risk towards certain counterparties within cash and cash equivalents exists. Included in the balance is R1 485 919 held with ABSA Bank Limited (2018: R956 602) and R685 942 held with Investec Bank Limited (2018: R527 645). Concentration of credit risk within loans to group companies (note 4) exist due to counterparties being part of the PSG Konsult group of companies.

PSG KONSULT TREASURY LIMITED

(Registration number 2014/196582/06)

Annual Financial Statements for the year ended 28 February 2019

Notes to the Annual Financial Statements

20. Financial instruments and risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, it aims to maintain flexibility in funding by keeping committed credit lines available.

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

2019

	Note	Less than 1 year	Between 1 and 5 years	Total	Carrying amount
Non-current liabilities					
Borrowings	8	9 330 000	104 652 219	113 982 219	100 000 000
Current liabilities					
Borrowings	8	1 226 959	-	1 226 959	1 226 959
Loans from group companies	9	37 169 581	-	37 169 581	37 169 581
Trade and other payables	11	77 329	-	77 329	77 329
		47 803 869	104 652 219	152 456 088	138 473 869

2018

	Note	Less than 1 year	Between 1 and 5 years	Total	Carrying amount
Non-current liabilities					
Borrowings	8	8 120 867	114 015 845	122 136 712	100 000 000
Current liabilities					
Borrowings	8	1 228 011	-	1 228 011	1 228 011
Loans from group companies	9	53 094 269	-	53 094 269	53 094 269
Trade and other payables	11	74 373	-	74 373	74 373
		62 517 520	114 015 845	176 533 365	154 396 653

An undrawn short-term overdraft facility of R50 million is available to the company.

PSG KONSULT TREASURY LIMITED

(Registration number 2014/196582/06)

Annual Financial Statements for the year ended 28 February 2019

Notes to the Annual Financial Statements

20. Financial instruments and risk management (continued)

Cash flow interest rate risk

The company's interest rate risk arises from interest-bearing loans to and from group companies, cash and borrowings. Borrowings issued at variable rates expose the company to cash flow interest rate risk.

Interest rate profile

The interest rate profile of interest bearing financial instruments at the end of the reporting period was as follows:

	Note	Carrying amount	
		2019	2018
Variable rate instruments:			
Assets			
Loans to group companies	4	137 377 424	153 549 217
Cash and cash equivalents	6	2 176 497	1 484 247
		139 553 921	155 033 464
Liabilities			
Borrowings	8	(101 226 959)	(101 228 011)
Loans from group companies	9	(37 169 581)	(53 094 269)
		(138 396 540)	(154 322 280)
Net variable rate financial instruments		1 157 381	711 184
Interest free instruments:			
Assets			
Trade and other receivables	5	3 181	3 499
Liabilities			
Trade and other payables	11	(77 329)	(74 373)
Net interest free financial instruments		(74 148)	(70 874)
Variable rate financial assets as a percentage of total interest bearing financial assets		100.00 %	100.00 %
Variable rate financial liabilities as a percentage of total interest bearing financial liabilities		99.94 %	99.95 %
Fixed rate financial liabilities as a percentage of total interest bearing financial liabilities		0.06 %	0.05 %

Interest rate sensitivity analysis

Based on simulations performed, the impact on post-tax profit of a 1% shift in interest rates is analysed in the following table:

1% Increase or decrease in rate	2019	2019	2018	2018
	Increase	Decrease	Increase	Decrease
Impact on post-tax profit	8 333	(8 333)	5 121	(5 121)

PSG KONSULT TREASURY LIMITED

(Registration number 2014/196582/06)

Annual Financial Statements for the year ended 28 February 2019

Notes to the Annual Financial Statements

20. Financial instruments and risk management (continued)

Capital risk management

The company's objectives when managing capital (which comprises shareholder's equity) are to safeguard the company's ability to continue as a going concern in order to provide adequate returns for shareholders.

Ensuring that the company operates at the optimal cost of capital is therefore a focus point for management and will be considered in decisions relating to dividend declarations, issue of debt or equity instruments or the buying and selling of assets and liabilities.

When funding is required, management will consider the various forms of paper available for issue, taking into account current market conditions, anticipated trends in market indicators and the financial position of the company at the time. The company currently has a R3.0 billion approved DMTN programme, of which it has only utilised R100 million at 28 February 2019.

PSG KONSULT TREASURY LIMITED

(Registration number 2014/196582/06)

Annual Financial Statements for the year ended 28 February 2019

Annexure A - Director's remuneration

The following directors' remuneration were accrued by the company for the year ended 28 February 2019:

Cash-based remuneration

Executive directors

	Directors' fees R000	Basic salary R000	Bonuses and performance - related payments R000	Expense allowances R000	Company contributions R000	LTI R000	Total 2019 R000	Total 2018 R000
Audited								
Executive								
FJ Gouws ^{1,2}	250	5 142	20 600	-	68	37 674	63 734	62 358
MIF Smith ³	-	2 474	7 500	96	38	6 133	16 241	12 270
JSE van der Merwe ⁵	-	-	-	-	-	-	-	259
NM Gudka ⁵	-	-	-	-	-	-	-	606
	250	7 616	28 100	96	106	43 807	79 975	75 493
Non-executive								
W Theron ⁴	1 318	-	-	-	-	5 235	6 553	5 099
	1 318	-	-	-	-	5 235	6 553	5 099
	1 568	7 616	28 100	96	106	49 042	86 528	80 592

1. Director's fee of R0.3 million (2018: R0.2 million) paid to PSG Management Services Proprietary Limited as non-executive director of PSG Group Limited.

2. Total performance incentive bonus awarded was R21.5 million (2018: R20.0 million). 70% of bonus awarded, being R15.1 million (2018: R14.0 million), is unconditional and was paid in cash in April 2019 and April 2018 respectively. The remaining 30% has been paid to the director; however, is conditional on the director remaining in employment and is subject to clawback provisions. The conditional portion of the bonus vests as follows: R3.2 million in April 2020 (2018: R3.0 million in April 2019), being 12 months after award date, while the remaining R3.2 million (2018: R3.0 million; 2017: R2.6 million) is conditional for 24 months until April 2021 (2018: April 2020; 2017: April 2019).

3. Total performance incentive bonus awarded was R7.5 million (2018: R 7.0 million), which was paid in cash in April 2019 and April 2018 respectively, as the director has more than 10 years' service in the group (no service conditions attached to release of 30% deferred portion of bonus award).

4. Director's fees paid of R1.3 million (2018: R1.1 million) as non-executive director of PSG Konsult Limited and subsidiary entities.

5. These directors resigned effective 17 May 2017.

Equity-based remuneration

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

	Number of share options as at 28 Feb 2018	Number of scheme shares during year	Average market price per share on vesting date R	Vesting price per share R	Date granted	Number of share options as at 28 Feb 2019	Value of options redeemed/exercised ¹ R000	Closing indicative expected value ² R000
	Granted	Vested						
Audited								
Executive								
FJ Gouws	3 125 000	-	(3 125 000)	9.81	2.83	1/03/2013	-	21 813
	3 175 000	-	(1 587 500)	9.81	5.06	1/03/2014	1 587 500	7 541
	671 389	-	(223 797)	9.81	7.27	1/04/2015	447 592	568
	10 335 579	-	(2 583 895)	9.81	6.81	1/04/2016	7 751 684	7 752
	3 156 559	-	-	-	7.59	1/04/2017	3 156 559	-
	-	3 750 000	-	-	8.74	1/04/2018	3 750 000	-
	20 463 527	3 750 000	(7 520 192)			16 693 335	37 674	58 477
MIF Smith	250 000	-	(250 000)	9.81	2.83	1/03/2013	-	1 745
	900 000	-	(450 000)	9.81	5.06	1/03/2014	450 000	2 138
	532 170	-	(177 390)	9.81	7.27	1/04/2015	354 780	451
	2 398 150	-	(599 538)	9.81	6.81	1/04/2016	1 798 612	1 799
	1 030 108	-	-	-	7.59	1/04/2017	1 030 108	-
	-	1 200 000	-	-	8.74	1/04/2018	1 200 000	-
	5 110 428	1 200 000	(1 476 928)			4 833 500	6 133	16 501
Non-executive								
W Theron	750 000	-	(750 000)	9.81	2.83	1/03/2013	-	5 235
	750 000	-	(750 000)				5 235	-

1. The value of the options redeemed/exercised is the number of share options exercised in the 2019 financial year multiplied by growth in share price (market value share price at exercise less option grant price).

2. This column shows the number of outstanding options at year-end multiplied by the PSG Konsult Limited year-end share price, less the strike price of the instruments.

The following share option awards were accepted in terms of the PSG Konsult Group Share Incentive Trust between the end of the financial year and the date of this report:

- On 23 April 2019 Messrs FJ Gouws and MIF Smith accepted 4 000 000 and 1 000 000 share option awards at a strike price of R10.15 per share, respectively that are exercisable in tranches of 25% each on the 2nd, 3rd, 4th and 5th anniversary of the award date.