PSG Konsult

UNAUDITED RESULTS

for the six months ended
31 August 2017

THE PSG KONSULT GROUP

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

WHO WE ARE

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

WHAT WE DO

PSG WEALTH

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

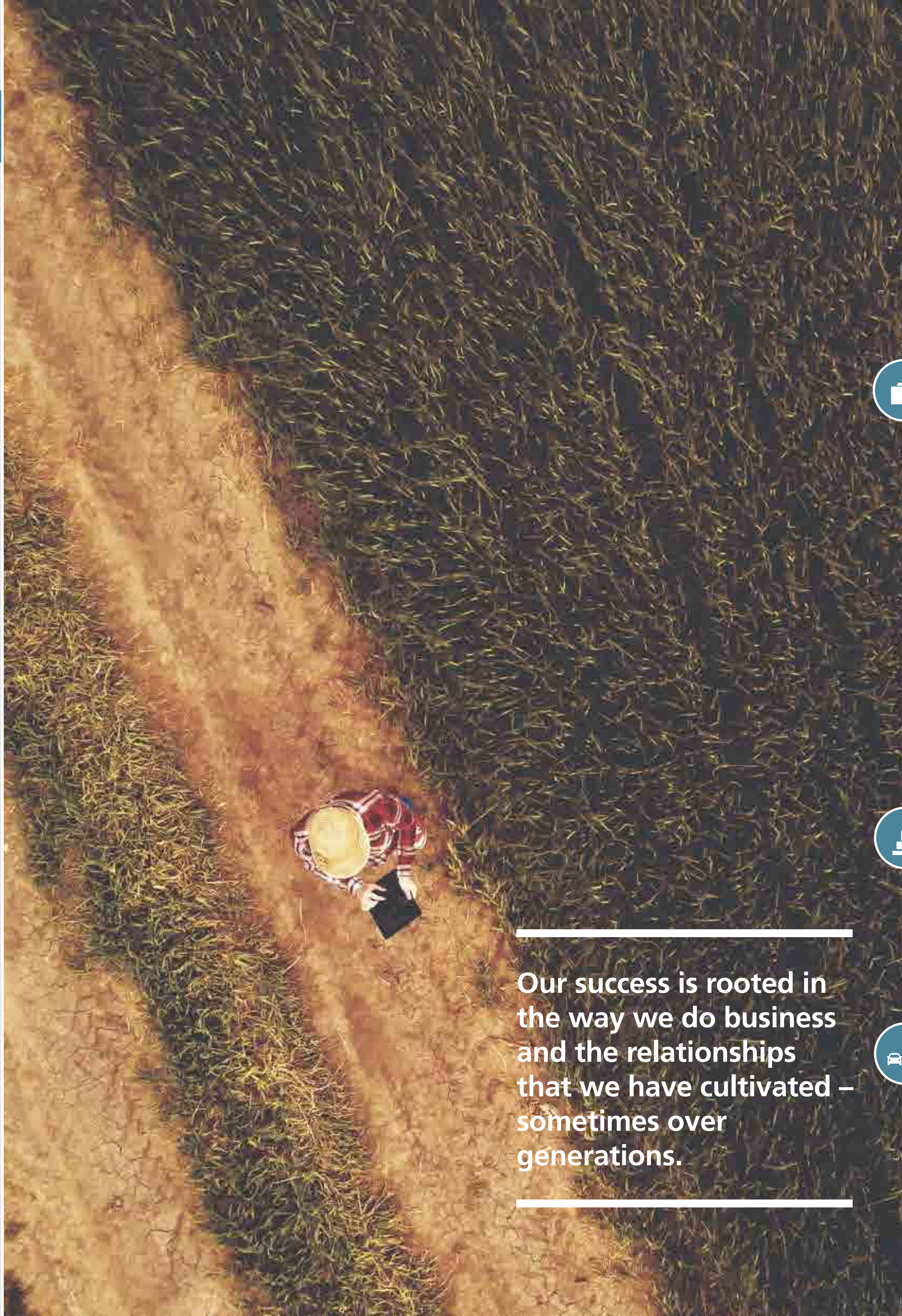
PSG ASSET MANAGEMENT

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

PSG INSURE

Personal and commercial short-term insurance solutions.

www.psg.co.za



Our success is rooted in the way we do business and the relationships that we have cultivated – sometimes over generations.

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

↑ 10 % to 18.2 cents

2016: 16.6 cents | **2015:** 14.7 cents

Gross written premium

↑ 19 % to R1 607m

2016: R1 348m | **2015:** R1 201m

Number of advisers

↑ 2 % to 753

2016: 738 | **2015:** 667

Total assets under management

↑ 16 % to R193bn

2016: R167bn | **2015:** R142bn

Dividend per share

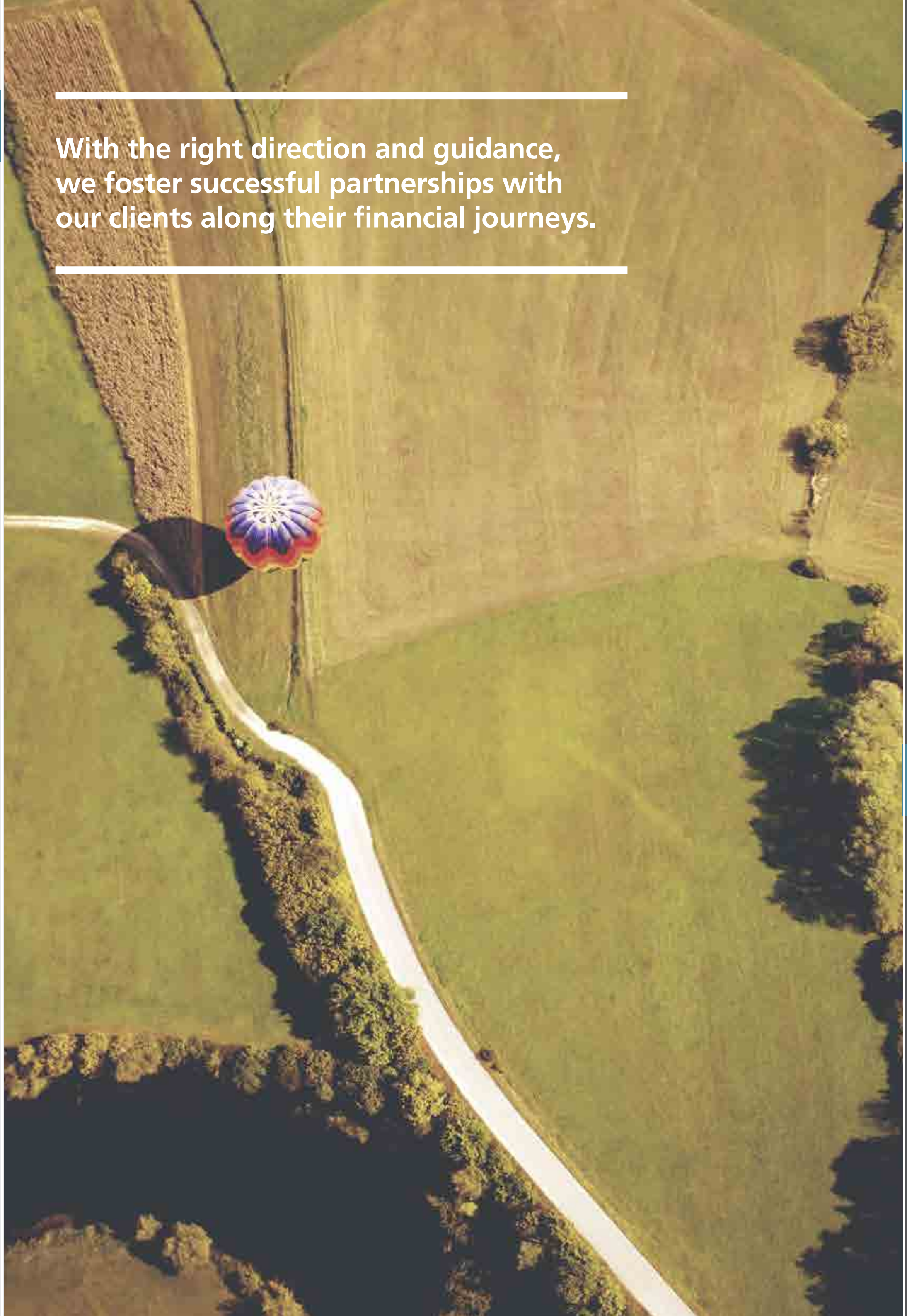
↑ 12 % to 5.7 cents

2016: 5.1 cents | **2015:** 4.4 cents

Total assets under administration

↑ 12 % to R398bn

2016: R354bn | **2015:** R321bn



With the right direction and guidance, we foster successful partnerships with our clients along their financial journeys.

CONTENTS

OUR MISSION

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

COMMENTARY

PSG Konsult delivered a satisfactory 10% rate of growth in recurring headline earnings per share and return on equity of 21%

THE BOARD OF DIRECTORS IS SATISFIED WITH THIS SET OF RESULTS

The business environment during this period was tough and occurred during a period in which the country continues to be plagued by low economic growth, rating downgrades and a loss of business and consumer confidence. The continued upward trajectory of our key operating and financial metrics demonstrates the resilience of our business model despite the challenging market conditions we have experienced. Performance fees earned constituted only 4.4% of headline earnings in comparison to 6.6% in the comparative period. Total assets under management increased to R193 billion, comprising managed assets of PSG Wealth and PSG Asset Management of R157 billion and R36 billion respectively.

PSG WEALTH

PSG Wealth achieved recurring headline earnings growth of 7%

We are satisfied with this result in the context of the current investment market conditions. Management and other fees increased by 8% as the business continues to focus on recurring income and reduce its reliance on cyclical transactional brokerage fees, which increased by 1% during the current period under review. The cost base of the division increased by 18% as we strengthened both our information technology (IT) and investment research teams. We continue to accelerate our investment in order to enhance our digital platforms and systems. These costs have all been fully expensed. Clients' assets managed by our Wealth advisers increased by 10% to R157 billion during the period under review, which included R5.1 billion of positive net inflows.

We remain confident about the fundamentals and future prospects of 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 that grew by 4%, through both organic and selected acquisitions, to 527 advisers. The experience and stature of the advisers joining the firm continues to add credibility to the growing brand equity. We continue to gain market share with Wealth's platform assets increasing by 12% to R42 billion.

PSG ASSET MANAGEMENT

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

The commendable results generated by this division are testimony to the team's excellent long-term track record of delivering top-quartile risk-adjusted investment returns for clients. The team's consistent ability to generate alpha across all asset classes for clients over the appropriate investment horizon remains compelling. Client assets under management increased by 10% to R36 billion during the six-month period under review. This included R2.8 billion of positive net inflows predominantly into our higher margin multi-asset funds and mainly from our selected retail target market. The strong increase in annuity earnings on our large asset base more than offset the 29% decline in variable performance fees that were earned during the period under review. We remain confident and optimistic about the long-term growth prospects of this business.

PSG INSURE

PSG Insure achieved recurring headline earnings growth of 23%

The group is especially pleased with this achievement. This is against the backdrop of a particularly difficult industry environment. This division, which is in an early growth phase, continues to make inroads into the highly competitive short-term insurance market and gain further benefits from economies of scale. It achieved gross written premium growth of 19% compared to the prior period as we continue to focus our efforts on the commercial lines' side of the business which requires specialised adviser expertise. The comprehensive reinsurance programme we have in place reduced the adverse impact of catastrophe events that occurred during the period under review, such as the Knysna fires. This, when combined with our quality underwriting practices, allowed us to achieve a commendable net underwriting margin of 7.4%. The insurance advisers, who now total 226, continue to gain market share on the commercial lines' side which is our primary area of focus.

PSG Konsult's key financial performance indicators for the six months ended 31 August 2017 are shown below:

	31 Aug 17 R000	Change %	31 Aug 16 R000
Core income	**2 062 016**	11	1 854 877
Headline and recurring headline earnings	**239 275**	12	214 430
Non-headline items	**91**		(52)
Earnings attributable to ordinary shareholders	**239 366**	12	214 378
Divisional recurring headline earnings			
PSG Wealth	**149 923**	7	140 553
PSG Asset Management	**56 829**	20	47 405
PSG Insure	**32 523**	23	26 472
	239 275	12	214 430
Weighted average number of shares in issue (net of treasury shares) (millions)	**1 314.5**	2	1 290.2
Earnings per share (cents)			
– Headline and recurring headline	**18.2**	10	16.6
– Attributable	**18.2**	10	16.6
– Recurring headline (excluding intangible amortisation cost)	**19.9**	9	18.2
Dividend per share (cents)	**5.7**	12	5.1
Return on equity (ROE) (%)	**21.4**		22.9

STRATEGY

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

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

PSG Insure provides simple and cost-effective short-term insurance solutions to clients, protecting them from unforeseen events. Building critical expertise across underwriting, administration and adviser teams underpins the focus on providing value-added products that meet and exceed clients' expectations. The division continues to invest in its claims and administration departments. This is to build scale and unlock operational efficiencies while freeing up valuable time for our top-calibre advisers to focus on client relationships, especially on the commercial lines' side of the business. The salary-based adviser distribution force is mostly converted onto the entrepreneurial best-of-breed partnership model. This allows our advisers to operate their own businesses independently under the PSG brand and benefit from the central services provided. Key central services 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.

COMMENTARY (continued)

RECOGNITION, AWARDS AND ACHIEVEMENTS

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

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

ACQUISITION

PSG Konsult has concluded an agreement to acquire the commercial and industrial insurance brokerage business of Absa Insurance and Financial Advisers Proprietary Limited (AIFA), as announced on the Stock Exchange News Service (SENS) of the JSE Limited (JSE) on Tuesday, 26 September 2017. This business is made up of 102 advisers and in excess of 32 000 clients that will integrate into the PSG Konsult distribution network of PSG Insure advisers.

This transaction, which is subject to conditions typical for a transaction of this nature including regulatory approvals, will be funded from existing cash resources. The implementation of this transaction will enhance PSG Insure's footprint across South Africa. PSG Konsult's core focus remains organic growth.

CREDIT RATING AND DMTN PROGRAMME

Rating agency Global Credit Rating Co. (GCR) affirmed the long-term and short-term investment grade national scale ratings assigned to PSG Konsult of A-(za) and A1-(za) respectively, with the outlook for both ratings remaining stable.

Shareholders were advised in our year-end results announcement that we were considering the establishment of a Domestic Medium Term Note (DMTN) programme. PSG Konsult's aim in establishing a DMTN programme was to provide business with a flexible cost-effective structure to internally fund our Scriptfin loan book and to build a credible track record with debt instrument holders and the debt market. PSG Konsult secured the requisite JSE approval via its wholly owned subsidiary, PSG Konsult Treasury Limited, to establish such a DMTN programme. On 12 July 2017, we concluded our maiden listing on the JSE's Interest Rate Market of a R100 million senior unsecured floating rate note with a maturity date of 12 July 2020 at competitive rates.

SHAREHOLDERS

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

PEOPLE

PSG Konsult had 211 offices and 2 389 employees as at 31 August 2017. Financial planners, portfolio managers, stockbrokers and asset managers totalled 753. A further 434 were professional associates (accountants and attorneys). During the six months under review, 9 new advisers were appointed through a combination of organic growth and selective adviser book acquisitions. We believe strongly in building our own future talent and have confidence in the investment in our graduate programme. We have made several key appointments within our PSG Wealth management team that 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 committee and risk committee, with effect from 20 July 2017.

REGULATORY LANDSCAPE AND RISK MANAGEMENT

PSG Konsult, which has 19 regulatory licences (13 in South Africa and 6 in foreign jurisdictions), continues to foster good relationships with our regulators.

MARKETING

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

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

INFORMATION TECHNOLOGY

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

LOOKING FORWARD

The group's aim remains to service existing clients expertly, and gain new clients. A number of initiatives are in place to ensure that this happens. The group remains confident that we are well positioned to continue building our adviser network and client base despite the current uncertain and challenging economic circumstances in which we operate. The group's focus on products, platforms and client service excellence through the quality of its advice is proving to be a resilient strategy.

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

EVENTS AFTER REPORTING DATE

No event material to the understanding of these results has occurred between the end of the reporting period and the date of approval of the condensed consolidated interim financial statements, other than the acquisition of AIFA's commercial and industrial insurance brokerage business.

DIVIDEND

The board approved and declared a gross interim dividend of 5.7 cents per share (2016: 5.1 cents per share) from income reserves for the six months ended 31 August 2017. This is in line with the group's dividend payout policy as approved by the board of directors at the time of listing of distributing between 40% and 50% of recurring headline earnings as dividends (one third as an interim dividend and two thirds as a final dividend).

The dividend is subject to a 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 4.56 cents per share. The number of issued ordinary shares is 1 341 652 782 at the date of this declaration. PSG Konsult's income tax reference number is 9550/644/07/5.

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

Last day to trade (cum dividend)	Tuesday, 24 October 2017
Trading ex dividend commences	Wednesday, 25 October 2017
Record date	Friday, 27 October 2017
Date of payment	Monday, 30 October 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 25 October 2017, and Friday, 27 October 2017, 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 six months.

On behalf of the board

WILLEM THERON
Chairman

FRANCOIS GOUWS
Chief executive officer

Tyger Valley
5 October 2017

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 August and 28 February 2017

	Unaudited as at 31 Aug 17 R000	Unaudited as at 31 Aug 16 R000	Audited as at 28 Feb 17 R000
ASSETS			
Intangible assets	**1 006 595**	997 887	987 042
Property and equipment	**48 620**	54 019	53 469
Investment property	**–**	7 349	–
Investment in associated companies	**–**	129	–
Investment in joint ventures	**1 133**	16 696	1 178
Deferred income tax assets	**80 435**	77 105	96 651
Equity securities (note 6)	**2 104 693**	2 194 463	2 256 923
Debt securities (note 6)	**3 943 613**	2 688 626	2 835 244
Unit-linked investments (note 6)	**40 849 291**	34 063 018	37 653 998
Investment in investment contracts (note 6)	**16 323**	29 230	15 521
Loans and advances	**125 099**	127 587	134 308
Derivative financial instruments	**13 005**	14 430	14 593
Reinsurance assets	**80 283**	66 238	71 966
Deferred acquisition costs	**4 393**	4 052	4 073
Receivables including insurance receivables	**1 700 815**	1 628 033	1 529 894
Current income tax assets	**19 621**	25 116	22 608
Cash and cash equivalents (including money market investments) (note 6)	**1 455 880**	1 241 533	1 385 542
Non-current assets held for sale	**–**	39 931	–
Total assets	**51 449 799**	43 275 442	47 063 010
EQUITY			
Equity attributable to owners of the parent			
Stated capital	**1 903 517**	1 745 191	1 749 505
Treasury shares	**(176 612)**	(56 802)	(59 206)
Other reserves	**(383 160)**	(381 949)	(399 700)
Retained earnings	**968 177**	750 476	862 689
	2 311 922	2 056 916	2 153 288
Non-controlling interest	**212 875**	173 886	197 212
Total equity	**2 524 797**	2 230 802	2 350 500
LIABILITIES			
Insurance contracts	**524 572**	564 425	544 235
Deferred income tax liabilities	**21 196**	50 991	24 089
Borrowings	**109 101**	148 764	37 791
Derivative financial instruments	**14 854**	14 408	17 379
Investment contracts (note 6)	**24 767 685**	22 032 848	22 560 598
Third-party liabilities arising on consolidation of mutual funds	**21 603 419**	16 507 660	19 690 982
Deferred reinsurance acquisition revenue	**3 663**	4 330	3 731
Trade and other payables	**1 873 675**	1 682 919	1 821 500
Current income tax liabilities	**6 837**	38 295	12 205
Total liabilities	**48 925 002**	41 044 640	44 712 510
Total equity and liabilities	**51 449 799**	43 275 442	47 063 010
Net asset value per share (cents)	**175.3**	156.7	164.0

CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 31 August and the year ended 28 February 2017

	Unaudited Six months ended 31 Aug 17 R000	Restated Unaudited Six months ended 31 Aug 16 R000	Restated Unaudited Year ended 28 Feb 17 R000
Gross written premium	**596 679**	481 556	1 010 058
Less: Reinsurance written premium	**(146 555)**	(116 379)	(247 116)
Net written premium	**450 124**	365 177	762 942
Change in unearned premium			
– Gross	**23 324**	30 828	54 462
– Reinsurers' share	**(2 617)**	(587)	(630)
Net insurance premium revenue	**470 831**	395 418	816 774
Commission and other fee income	**1 398 828**	1 368 564	2 606 092
Investment income	**763 482**	704 311	1 343 786
Net fair value gains and losses on financial instruments	**1 746 493**	1 497 632	972 866
Fair value adjustment to investment contract liabilities	**(1 185 456)**	(1 059 376)	(932 672)
Fair value adjustment to third-party liabilities	**(1 176 449)**	(993 652)	(1 065 313)
Other operating income	**89 027**	60 832	101 539
Total income	**2 106 756**	1 973 729	3 843 072
Insurance claims and loss adjustment expenses	**(431 306)**	(348 955)	(701 803)
Insurance claims and loss adjustment expenses recovered from reinsurers	**95 448**	56 582	120 620
Net insurance benefits and claims	**(335 858)**	(292 373)	(581 183)
Commission paid	**(631 698)**	(609 989)	(1 111 506)
Depreciation and amortisation [1]	**(34 591)**	(34 051)	(78 995)
Employee benefit expenses	**(393 477)**	(365 831)	(729 157)
Marketing, administration and other expenses	**(307 537)**	(309 769)	(536 936)
Total expenses	**(1 703 161)**	(1 612 013)	(3 037 777)
Share of profits of associated companies	**–**	32	32
Loss on impairment of associated companies	**–**	–	(35)
Profit on sale of interests in associated companies	**–**	68	–
Share of (losses)/profits of joint ventures	**(45)**	473	2 268
Total (loss)/profit from associated companies and joint ventures	**(45)**	573	2 265
Profit before finance costs and taxation	**403 550**	362 289	807 560
Finance costs	**(24 151)**	(23 975)	(72 274)
Profit before taxation	**379 399**	338 314	735 286
Taxation	**(119 273)**	(104 569)	(203 416)
Profit for the period	**260 126**	233 745	531 870
Attributable to:			
Owners of the parent	**239 366**	214 378	486 862
Non-controlling interest	**20 760**	19 367	45 008
	260 126	233 745	531 870
Earnings per share (cents)			
Attributable (basic)	**18.2**	16.6	37.3
Attributable (diluted)	**18.1**	16.4	36.8
Headline (basic)	**18.2**	16.6	37.2
Headline (diluted)	**18.1**	16.4	36.8
Recurring headline (basic)	**18.2**	16.6	37.2
Recurring headline (diluted)	**18.1**	16.4	36.8

[1] *Includes amortisation cost of R22.7 million (31 Aug 2016: R23.0 million; 28 Feb 2017: R55.5 million).*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 August and the year ended 28 February 2017

	Unaudited Six months ended 31 Aug 17 R000	Unaudited Six months ended 31 Aug 16 R000	Audited Year ended 28 Feb 17 R000
Profit for the period	**260 126**	233 745	531 870
Other comprehensive income for the period, net of taxation	**(1 494)**	(1 361)	(14 900)
To be reclassified to profit and loss:			
Currency translation adjustments	**(1 494)**	(1 361)	(14 900)
Total comprehensive income for the period	**258 632**	232 384	516 970
Attributable to:			
Owners of the parent	**237 872**	213 017	471 962
Non-controlling interest	**20 760**	19 367	45 008
	258 632	232 384	516 970

EARNINGS AND HEADLINE EARNINGS PER SHARE

for the six months ended 31 August and the year ended 28 February 2017

	Unaudited Six months ended 31 Aug 17 R000	Unaudited Six months ended 31 Aug 16 R000	Audited Year ended 28 Feb 17 R000
Headline earnings	**239 275**	214 430	486 439
Recurring	**239 275**	214 430	486 439
Non-recurring	**–**	–	–
Non-headline items (net of non-controlling interest and related tax effect)			
Profit/(loss) on disposal of intangible assets (including goodwill)	**18**	(187)	83
Other	**73**	135	340
Profit attributable to ordinary shareholders	**239 366**	214 378	486 862
Earnings per share (cents)			
Attributable (basic)	**18.2**	16.6	37.3
Attributable (diluted)	**18.1**	16.4	36.8
Headline (basic)	**18.2**	16.6	37.2
Headline (diluted)	**18.1**	16.4	36.8
Recurring headline (basic)	**18.2**	16.6	37.2
Recurring headline (diluted)	**18.1**	16.4	36.8
Number of shares (millions)			
In issue (net of treasury shares)	**1 318.6**	1 312.9	1 313.1
Weighted average (net of treasury shares)	**1 314.5**	1 290.2	1 307.1

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 August and the year ended 28 February 2017

	Attributable to equity holders of the group					
	Stated capital R000	**Treasury shares R000**	**Other reserves R000**	**Retained earnings R000**	**Non-controlling interest R000**	**Total R000**
Balance at 1 March 2016 (Audited)	1 446 604	(13 462)	(394 755)	650 059	157 212	1 845 658
Comprehensive income						
Profit for the period	–	–	–	214 378	19 367	233 745
Other comprehensive income for the period	–	–	(1 361)	–	–	(1 361)
Total comprehensive income for the period	–	–	(1 361)	214 378	19 367	232 384
Transactions with owners	298 587	(43 340)	14 167	(113 961)	(2 693)	152 760
Issue of ordinary shares	298 587	–	–	–	–	298 587
Share-based payment costs	–	–	14 167	–	–	14 167
Capital contribution by non-controlling interest	–	–	–	–	750	750
Net movement in treasury shares	–	(43 340)	–	–	–	(43 340)
Dividends paid	–	–	–	(113 961)	(3 443)	(117 404)
Balance at 31 August 2016 (Unaudited)	1 745 191	(56 802)	(381 949)	750 476	173 886	2 230 802
Comprehensive income						
Profit for the period	–	–	–	272 484	25 641	298 125
Other comprehensive income for the period	–	–	(13 539)	–	–	(13 539)
Total comprehensive income for the period	–	–	(13 539)	272 484	25 641	284 586
Transactions with owners	4 314	(2 404)	(4 212)	(160 271)	(2 315)	(164 888)
Issue of ordinary shares	4 314	–	–	–	–	4 314
Share-based payment costs	–	–	14 057	–	–	14 057
Net movement in treasury shares	–	(4 738)	–	–	–	(4 738)
Release of loss from treasury shares to retained earnings	–	2 334	–	(2 334)	–	–
Equity-settled share-based payments	–	–	(29 015)	(80 794)	–	(109 809)
Release of revaluation reserve to retained earnings on disposal of property	–	–	(702)	1 346	(467)	177
Release of common control reserve to retained earnings	–	–	11 448	(11 448)	–	–
Dividends paid	–	–	–	(67 041)	(1 848)	(68 889)
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 period	**–**	**–**	**–**	**239 366**	**20 760**	**260 126**
Other comprehensive income for the period	**–**	**–**	**(1 494)**	**–**	**–**	**(1 494)**
Total comprehensive income for the period	**–**	**–**	**(1 494)**	**239 366**	**20 760**	**258 632**
Transactions with owners	**154 012**	**(117 406)**	**18 034**	**(133 878)**	**(5 097)**	**(84 335)**
Issue of ordinary shares	**154 012**	**–**	**–**	**–**	**–**	**154 012**
Share-based payment costs	**–**	**–**	**18 034**	**–**	**–**	**18 034**
Net movement in treasury shares	**–**	**(117 406)**	**–**	**–**	**–**	**(117 406)**
Dividends paid	**–**	**–**	**–**	**(133 878)**	**(5 097)**	**(138 975)**
Balance at 31 August 2017 (Unaudited)	**1 903 517**	**(176 612)**	**(383 160)**	**968 177**	**212 875**	**2 524 797**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 31 August and the year ended 28 February 2017

	Unaudited Six months ended 31 Aug 17 R000	Unaudited Six months ended 31 Aug 16 R000	Restated Unaudited Year ended 28 Feb 17 R000
Cash flows from operating activities			
Cash utilised in operations	**(389 097)**	(470 985)	(727 577)
Interest income	**588 809**	509 644	961 504
Dividend income	**174 653**	194 441	381 849
Finance costs	**(15 370)**	(17 554)	(28 521)
Taxation paid	**(99 081)**	(197 968)	(364 747)
Operating cash flows before policyholder cash movement	**259 914**	17 578	222 508
Policyholder cash movement	**41 231**	(73 396)	(100 652)
Net cash flow from operating activities	**301 145**	(55 818)	121 856
Cash flows from investing activities			
Acquisition of subsidiaries (including collective investment schemes)	**–**	9 707	30 916
Acquisition of intangible assets	**(33 657)**	(19 767)	(28 069)
Purchases of property and equipment	**(7 166)**	(11 429)	(23 428)
Proceeds from disposal of non-current assets held for sale	**–**	–	38 948
Proceeds from disposal of investment property	**–**	–	7 445
Proceeds from disposal of intangible assets	**668**	8 448	5 841
Other	**58**	792	922
Net cash flow from investing activities	**(40 097)**	(12 249)	32 575
Cash flows from financing activities			
Dividends paid	**(138 975)**	(117 404)	(186 293)
Capital contributions by non-controlling interest (ordinary shares)	**–**	750	750
Repayment of borrowings	**(1 678)**	(2 639)	(4 822)
Shares issued	**66 623**	81 959	81 959
Net movement in treasury shares	**(117 406)**	(43 340)	(48 078)
Net cash flow from financing activities	**(191 436)**	(80 674)	(156 484)
Net increase/(decrease) in cash and cash equivalents	**69 612**	(148 741)	(2 053)
Cash and cash equivalents at beginning of the period	**1 385 542**	1 395 952	1 395 952
Exchange gains/(losses) on cash and cash equivalents	**726**	(5 678)	(8 357)
Cash and cash equivalents at end of the period [1]	**1 455 880**	1 241 533	1 385 542
[1] *Includes the following:*			
Clients' cash linked to investment contracts	**55 443**	41 468	14 212
Other client-related balances	**242 984**	101 484	89 211
	298 427	142 952	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. Timing difference occurs at month-end where the money was received from the third-party investment provider, but only paid out by the company after month-end, resulting in significant fluctuations in the working capital of the company. Similar working capital fluctuations occur at PSG Securities Limited, the group's stockbroking business, mainly due to the timing of the close of the JSE in terms of client settlements. Refer to note 5.7 for the impact of the client-related balances on the cash flows from operating activities.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2017

1. REPORTING ENTITY

PSG Konsult Limited is a public company domiciled in the Republic of South Africa. The condensed consolidated interim financial statements of the company as at and for the six months ended 31 August 2017 comprise the company and its subsidiaries (together referred to as 'the group') and the group's interests in associated companies and joint ventures.

2. BASIS OF PREPARATION

Statement of compliance

The condensed consolidated interim financial statements as at and for the six months ended 31 August 2017 have been prepared in accordance with the Listings Requirements of the JSE and the requirements of the Companies Act, No. 71 of 2008, as amended, applicable to condensed financial statements. The JSE requires condensed financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 – Interim financial reporting. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the group as at and for the year ended 28 February 2017. Any forecast financial information is the responsibility of the board of PSG Konsult Limited and has not been reviewed or reported on by the auditors.

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

Estimates and judgements

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial statements for the year ended 28 February 2017.

3. INDEPENDENT REVIEW

The condensed consolidated interim financial statements is the responsibility of the board of directors of the company.

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

4. ACCOUNTING POLICIES

The accounting policies applied in the preparation of these condensed consolidated interim financial statements are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements as at and for the year ended 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 and disclosures in these condensed consolidated interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2017 (continued)

4. ACCOUNTING POLICIES (continued)

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

- Amendments to IFRS 4 – Insurance contracts (effective 1 January 2018)
- IFRS 9 – Financial instruments (effective 1 January 2018)
- IFRS 15 – Revenue from contracts with customers (effective 1 January 2018)
- IFRS 16 – Leases (effective 1 January 2019)
- IFRS 17 – Insurance contracts (effective 1 January 2021)
- IFRIC 23 – Uncertainty over income tax treatment (effective 1 January 2019)

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

5. SEGMENT INFORMATION

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

- PSG Wealth – *deriving income mainly from total managed assets and total platform assets*
- PSG Asset Management – *deriving income mainly from total assets under management and administration*
- PSG Insure – *deriving income mainly from written premiums and underwriting*

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

5.1 Description of business segments

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

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

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

5. SEGMENT INFORMATION (continued)

5.1 Description of business segments (continued)

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

A subsidiary of the group, PSG Life Limited, is a linked insurance company and issues linked policies to policyholders (where the value of policy benefits is directly linked to the fair value of the supporting assets), and as such does not expose the group to the market risk of fair value adjustments on the financial asset as this risk is assumed by the policyholder.

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

5.2 Headline earnings per reportable segment

Headline earnings	Wealth R000	Asset Management R000	Insure R000	Total R000
For the six months ended 31 August 2017 (Unaudited)				
Headline earnings [1]	**149 923**	**56 829**	**32 523**	**239 275**
– recurring	**149 923**	**56 829**	**32 523**	**239 275**
– non-recurring	**–**	**–**	**–**	**–**
For the six months ended 31 August 2016 (Unaudited)				
Headline earnings [1]	140 553	47 405	26 472	214 430
– recurring	140 553	47 405	26 472	214 430
– 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 INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2017 (continued)

5. SEGMENT INFORMATION (continued)

5.3 Income per reportable segment

For the six months ended 31 August 2017 (Unaudited)	Wealth R000	Asset Management R000	Insure R000	Total R000
Total IFRS reported income	**1 100 874**	**219 452**	**786 430**	**2 106 756**
Linked investment business and other income	**(44 740)**	**–**	**–**	**(44 740)**
Total core income	**1 056 134**	**219 452**	**786 430**	**2 062 016**
Total segment income	**1 358 226**	**371 025**	**800 513**	**2 529 764**
Intersegment income	**(302 092)**	**(151 573)**	**(14 083)**	**(467 748)**

For the six months ended 31 August 2016 (Unaudited) (Restated)	Wealth[1] R000	Asset Management R000	Insure R000	Total[1] R000
Total IFRS reported income	1 101 291	200 528	671 910	1 973 729
Linked investment business and other income	(118 852)	–	–	(118 852)
Total core income	982 439	200 528	671 910	1 854 877
Total segment income	1 271 723	345 489	686 685	2 303 897
Intersegment income	(289 284)	(144 961)	(14 775)	(449 020)

For the year ended 28 February 2017 (Unaudited) (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 restatement has no impact on total core income. Refer to note 15 for the detail of the restatement.*

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

5. SEGMENT INFORMATION (continued)

5.4 Divisional income 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 six months ended 31 August 2017 (Unaudited)	Wealth R000	Asset Management R000	Insure R000	Total R000
Total income	**1 056 134**	**219 452**	**786 430**	**2 062 016**
Total expenses	**(826 917)**	**(143 538)**	**(719 135)**	**(1 689 590)**
	229 217	**75 914**	**67 295**	**372 426**
Total loss from joint ventures	**–**	**–**	**(45)**	**(45)**
Profit before finance costs and taxation	**229 217**	**75 914**	**67 250**	**372 381**
Finance costs [1]	**(14 967)**	**(368)**	**(35)**	**(15 370)**
Profit before taxation	**214 250**	**75 546**	**67 215**	**357 011**
Taxation	**(61 188)**	**(18 717)**	**(16 980)**	**(96 885)**
Profit for the period	**153 062**	**56 829**	**50 235**	**260 126**
Attributable to:				
Owners of the parent	**149 981**	**56 829**	**32 556**	**239 366**
Non-controlling interest	**3 081**	**–**	**17 679**	**20 760**
	153 062	**56 829**	**50 235**	**260 126**
Headline earnings	**149 923**	**56 829**	**32 523**	**239 275**
Recurring headline earnings	**149 923**	**56 829**	**32 523**	**239 275**

For the six months ended 31 August 2016 (Unaudited)	Wealth R000	Asset Management R000	Insure R000	Total R000
Total income	982 439	200 528	671 910	1 854 877
Total expenses	(766 053)	(139 489)	(616 986)	(1 522 528)
	216 386	61 039	54 924	332 349
Total profit from associated companies and joint ventures	–	–	573	573
Profit before finance costs and taxation	216 386	61 039	55 497	332 922
Finance costs [1]	(16 769)	(155)	(630)	(17 554)
Profit before taxation	199 617	60 884	54 867	315 368
Taxation	(56 322)	(13 479)	(11 822)	(81 623)
Profit for the period	143 295	47 405	43 045	233 745
Attributable to:				
Owners of the parent	139 165	47 405	27 808	214 378
Non-controlling interest	4 130	–	15 237	19 367
	143 295	47 405	43 045	233 745
Headline earnings	140 553	47 405	26 472	214 430
Recurring headline earnings	140 553	47 405	26 472	214 430

[1] *Finance costs in the PSG Wealth division consist mainly of the finance charge on the loan facilities provided to clients on their share portfolios at PSG Securities (secured by the underlying JSE Top 100 equity securities held in excess of four times the value of the loan facilities) on which PSG Wealth receives a margin. The finance costs of R15.0 million (31 Aug 2016: R16.8 million) consist of R5.5 million (31 Aug 2016: R11.9 million) on the loan facilities, with the remaining portion of the finance charge on the CFD margin and the bank overdrafts.*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2017 (continued)

5. SEGMENT INFORMATION (continued)

5.4 Divisional income statement (continued)

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 earnings	287 345	130 245	68 849	486 439
Recurring headline earnings	287 345	130 245	68 849	486 439

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

5. SEGMENT INFORMATION (continued)

5.5 Statement of financial position (client vs own)

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

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

As at 31 August 2017 (Unaudited)	Total IFRS reported R000	Own balances R000	Client-related balances R000
ASSETS			
Equity securities	2 104 693	16 631	2 088 062
Debt securities	3 943 613	90 943	3 852 670
Unit-linked investments	40 849 291	642 133	40 207 158
Investment in investment contracts	16 323	–	16 323
Receivables including insurance receivables	1 700 815	334 464	1 366 351
Derivative financial instruments	13 005	–	13 005
Cash and cash equivalents (including money market investments)	1 455 880	1 157 453	298 427
Other assets [1]	1 366 179	1 366 179	–
Total assets	51 449 799	3 607 803	47 841 996
EQUITY			
Equity attributable to owners of the parent	2 311 922	2 311 922	–
Non-controlling interest	212 875	212 875	–
Total equity	2 524 797	2 524 797	–
LIABILITIES			
Borrowings [2]	109 101	4 239	104 862
Investment contracts	24 767 685	–	24 767 685
Third-party liabilities arising on consolidation of mutual funds	21 603 419	–	21 603 419
Derivative financial instruments	14 854	–	14 854
Trade and other payables	1 873 675	522 499	1 351 176
Other liabilities [3]	556 268	556 268	–
Total liabilities	48 925 002	1 083 006	47 841 996
Total equity and liabilities	51 449 799	3 607 803	47 841 996

[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.*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2017 (continued)

5. SEGMENT INFORMATION (continued)

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

As at 31 August 2016 (Unaudited)	Total IFRS reported R000	Own balances R000	Client-related balances R000
ASSETS			
Equity securities	2 194 463	9 886	2 184 577
Debt securities	2 688 626	89 150	2 599 476
Unit-linked investments	34 063 018	488 145	33 574 873
Investment in investment contracts	29 230	–	29 230
Receivables including insurance receivables	1 628 033	241 585	1 386 448
Derivative financial instruments	14 430	–	14 430
Cash and cash equivalents (including money market investments)	1 241 533	1 098 581	142 952
Other assets [1]	1 416 109	1 416 109	–
Total assets	43 275 442	3 343 456	39 931 986
EQUITY			
Equity attributable to owners of the parent	2 056 916	2 056 916	–
Non-controlling interest	173 886	173 886	–
Total equity	2 230 802	2 230 802	–
LIABILITIES			
Borrowings	148 764	7 956	140 808
Investment contracts	22 032 848	–	22 032 848
Third-party liabilities arising on consolidation of mutual funds	16 507 660	–	16 507 660
Derivative financial instruments	14 408	–	14 408
Trade and other payables	1 682 919	446 657	1 236 262
Other liabilities [2]	658 041	658 041	–
Total liabilities	41 044 640	1 112 654	39 931 986
Total equity and liabilities	43 275 442	3 343 456	39 931 986

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

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

5. SEGMENT INFORMATION (continued)

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

As at 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 INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2017 (continued)

5. SEGMENT INFORMATION (continued)

5.6 Income statement (client vs own)

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

For the six months ended 31 August 2017 (Unaudited)	Total IFRS reported R000	Core business R000	Linked investment business and other R000
Commission and other fee income [3]	1 398 828	1 472 949	(74 121)
Investment income	763 482	93 450	670 032
Net fair value gains and losses on financial instruments	1 746 493	8 075	1 738 418
Fair value adjustment to investment contract liabilities	(1 185 456)	–	(1 185 456)
Fair value adjustment to third-party liabilities	(1 176 449)	–	(1 176 449)
Other [1,3]	559 858	487 542	72 316
Total income	2 106 756	2 062 016	44 740
Insurance claims and loss adjustment expenses	(431 306)	(430 080)	(1 226)
Other [2,3]	(1 271 855)	(1 259 510)	(12 345)
Total expenses	(1 703 161)	(1 689 590)	(13 571)
Total loss from joint ventures	(45)	(45)	–
Profit before finance costs and taxation	403 550	372 381	31 169
Finance costs	(24 151)	(15 370)	(8 781)
Profit before taxation	379 399	357 011	22 388
Taxation	(119 273)	(96 885)	(22 388)
Profit for the period	260 126	260 126	–
Attributable to:			
Owners of the parent	239 366	239 366	–
Non-controlling interest	20 760	20 760	–
	260 126	260 126	–

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.*

5. SEGMENT INFORMATION (continued)

5.6 Income statement (client vs own) (continued)

For the six months ended 31 August 2016 (Unaudited) (Restated)	Total IFRS reported R000	Core business R000	Linked investment business and other R000
Commission and other fee income [3]	1 368 564	1 345 312	23 252
Investment income	704 311	83 464	620 847
Net fair value gains and losses on financial instruments	1 497 632	9 013	1 488 619
Fair value adjustment to investment contract liabilities	(1 059 376)	–	(1 059 376)
Fair value adjustment to third-party liabilities [4]	(993 652)	–	(993 652)
Other [1,3]	456 250	417 088	39 162
Total income	1 973 729	1 854 877	118 852
Insurance claims and loss adjustment expenses	(348 955)	(348 469)	(486)
Other [2,3]	(1 263 058)	(1 174 059)	(88 999)
Total expenses	(1 612 013)	(1 522 528)	(89 485)
Total profit from associated companies and joint ventures	573	573	–
Profit before finance costs and taxation	362 289	332 922	29 367
Finance costs	(23 975)	(17 554)	(6 421)
Profit before taxation	338 314	315 368	22 946
Taxation	(104 569)	(81 623)	(22 946)
Profit for the period	233 745	233 745	–
Attributable to:			
Owners of the parent	214 378	214 378	–
Non-controlling interest	19 367	19 367	–
	233 745	233 745	–

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 restatement has no impact on the core income statement. Refer to note 15 for the detail of the restatement.*

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2017 (continued)

5. SEGMENT INFORMATION (continued)

5.6 Income statement (client vs own) (continued)

For the year ended 28 February 2017 (Unaudited) (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 restatement has no impact on the core income statement. Refer to note 15 for the detail of the restatement.*

5 *Fees received by PSG Securities Limited from the JSE were reclassified from investment income to commission and other fee income on the core income statement. Refer to note 15 for the detail of the restatement.*

5. SEGMENT INFORMATION (continued)

5.7 Statement of cash flows (client vs own)

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

For the six months ended 31 August 2017 (Unaudited)	Total IFRS reported R000	Own balances R000	Client-related balances R000
Cash flows from operating activities	301 145	106 141	195 004
Cash (utilised in)/generated by operations	(389 097)	121 189	(510 286)
Interest income	588 809	92 446	496 363
Dividend income	174 653	983	173 670
Finance costs	(15 370)	(15 370)	–
Taxation paid	(99 081)	(93 107)	(5 974)
Policyholder cash movement	41 231	–	41 231
Cash flows from investing activities	(40 097)	(40 097)	–
Cash flows from financing activities	(191 436)	(191 436)	–
Net increase/(decrease) in cash and cash equivalents	69 612	(125 392)	195 004
Cash and cash equivalents at beginning of the period	1 385 542	1 282 119	103 423
Exchange gains on cash and cash equivalents	726	726	–
Cash and cash equivalents at end of the period	1 455 880	1 157 453	298 427

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2017 (continued)

5. SEGMENT INFORMATION (continued)

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

For the six months ended 31 August 2016 (Unaudited)	Total IFRS reported R000	Own balances R000	Client-related balances R000
Cash flows from operating activities	(55 818)	93 139	(148 957)
Cash (utilised in)/generated by operations	(470 985)	213 106	(684 091)
Interest income	509 644	82 556	427 088
Dividend income	194 441	681	193 760
Finance costs	(17 554)	(17 554)	–
Taxation paid [1]	(197 968)	(185 650)	(12 318)
Policyholder cash movement	(73 396)	–	(73 396)
Cash flows from investing activities	(12 249)	(23 325)	11 076
Acquisition of subsidiaries (including collective investment schemes)	9 707	(1 369)	11 076
Other [2]	(21 956)	(21 956)	–
Cash flows from financing activities	(80 674)	(80 674)	–
Net decrease in cash and cash equivalents	(148 741)	(10 860)	(137 881)
Cash and cash equivalents at beginning of the period	1 395 952	1 115 119	280 833
Exchange losses on cash and cash equivalents	(5 678)	(5 678)	–
Cash and cash equivalents at end of the period	1 241 533	1 098 581	142 952

For the year ended 28 February 2017 (Unaudited) (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 were reclassified from interest income to commission and other fee income, which impacts the cash (utilised in)/ generated by operations. This reclassification related to own balances however, had no impact on the total cash flows from operating activities. Refer to note 15 for the detail of the restatement.*

6. INVESTMENT CONTRACTS

Investment contracts are represented by the following financial assets:

	Unaudited as at 31 Aug 17 R000	Unaudited as at 31 Aug 16 R000	Audited as at 28 Feb 17 R000
Equity securities	**1 983 801**	2 099 569	2 154 854
Debt securities	**1 659 508**	637 474	443 311
Unit-linked investments	**21 052 610**	19 225 107	19 932 700
Investments in investment contracts	**16 323**	29 230	15 521
Cash and cash equivalents	**55 443**	41 468	14 212
	24 767 685	22 032 848	22 560 598

7. RECEIVABLES INCLUDING INSURANCE RECEIVABLES AND TRADE AND OTHER PAYABLES

Included under receivables are broker and clearing accounts at our stockbroking business of which R1 317.3 million (31 Aug 2016: R1 349.7 million; 28 Feb 2017: R1 230.5 million) represents amounts owing by the JSE for trades conducted during the last few days before the end of the period. These balances fluctuate on a daily basis depending on the activity in the market.

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

8. NON-CURRENT ASSETS HELD FOR SALE

For the year ended 28 February 2017

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

Xinergistix Limited was sold for R41.5 million effective 1 December 2016, after the fulfilment of the suspensive conditions which included the approval from the Competition Commission.

9. ACQUISITION OF SUBSIDIARIES

For the year ended 28 February 2017

i) PSG Securities Limited (Mauritius) (previously Ramet & Associés Ltée)

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

ii) Acquisition of collective investment schemes

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2017 (continued)

9. ACQUISITION OF SUBSIDIARIES (continued)

ii) Acquisition of collective investment schemes (continued)

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

10. OTHER ACQUISITIONS

For the year ended 28 February 2017

Standardising of revenue sharing model

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

11. FINANCIAL RISK MANAGEMENT

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

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

The condensed consolidated interim financial statements do not include all risk management information and disclosure required in the annual financial statements and should be read in conjunction with the group's annual financial statements as at 28 February 2017.

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

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

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

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

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

Included in the equity securities of R2 104.7 million (31 Aug 2016: R2 194.5 million; 28 Feb 2017: R2 256.9 million) are quoted equity securities of R2 104.3 million (31 Aug 2016: R2 194.1 million; 28 Feb 2017: R2 256.6 million), of which R1 983.8 million (31 Aug 2016: R2 099.6 million; 28 Feb 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 052.6 million (31 Aug 2016: R19 225.1 million; 28 Feb 2017: R19 932.7 million) are linked to investment contracts and do not expose the group to price or interest rate risk.

Debt securities linked to policyholder investments amounted to R1 659.5 million (31 Aug 2016: R637.5 million; 28 Feb 2017: R443.3 million) and do not expose the group to interest rate risk. Cash and cash equivalents linked to policyholder investments amounted to R55.4 million (31 Aug 2016: R41.5 million; 28 Feb 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 period under review.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2017 (continued)

11. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

The table below analyses financial assets and liabilities, which are carried at fair value, by valuation method. There were no significant changes in the valuation techniques and assumptions applied since 28 February 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 financial liabilities arising on the consolidation of mutual funds	Quoted put (exit) price provided by the fund manager	Not applicable – daily prices are publicly available

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

As at 31 August 2017 (Unaudited)	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
Financial assets				
Financial assets at fair value through profit or loss				
Derivative financial instruments	–	13 005	–	13 005
Equity securities	2 104 311	7	375	2 104 693
Debt securities	805 203	2 985 537	–	3 790 740
Unit-linked investments	–	39 904 228	945 063	40 849 291
Investment in investment contracts	–	16 323	–	16 323
	2 909 514	42 919 100	945 438	46 774 052
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	–	14 854	–	14 854
Investment contracts	–	23 679 749	935 063	24 614 812
Trade and other payables	–	–	43 358	43 358
Third-party liabilities arising on consolidation of mutual funds	–	21 603 419	–	21 603 419
	–	45 298 022	978 421	46 276 443

11. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

As at 31 August 2016 (Unaudited)	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
Financial assets				
Financial assets at fair value through profit or loss				
Derivative financial instruments	–	14 430	–	14 430
Equity securities	2 194 045	41	–	2 194 086
Debt securities	888 812	1 587 430	–	2 476 242
Unit-linked investments	–	32 963 548	1 099 470	34 063 018
Investment in investment contracts	–	29 230	–	29 230
Available-for-sale				
Equity securities	–	–	377	377
	3 082 857	34 594 679	1 099 847	38 777 383
Financial liabilities				
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	–	14 408	–	14 408
Investment contracts	–	20 730 994	1 089 470	21 820 464
Trade and other payables	–	–	27 888	27 888
Third-party liabilities arising on consolidation of mutual funds	–	16 507 660	–	16 507 660
	–	37 253 062	1 117 358	38 370 420

As at 28 February 2017 (Audited)	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
Financial assets				
Financial assets at fair value through profit or loss				
Derivative financial instruments	–	14 593	–	14 593
Equity securities	2 256 555	7	361	2 256 923
Debt securities	1 004 941	1 686 211	–	2 691 152
Unit-linked investments	–	36 544 759	1 109 239	37 653 998
Investment in investment contracts	–	15 521	–	15 521
	3 261 496	38 261 091	1 109 600	42 632 187
Financial liabilities				
Financial liabilities at fair value through profit or loss				
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 INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2017 (continued)

11. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

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

	Unaudited 31 Aug 17 R000	Unaudited 31 Aug 16 R000	Audited 28 Feb 17 R000
ASSETS			
Opening carrying value	**1 109 600**	1 309 224	1 309 224
Additions	**254 646**	84 825	192 189
Disposals	**(441 401)**	(319 826)	(423 345)
Gains recognised in profit and loss [1]	**22 593**	25 624	31 532
Closing carrying value	**945 438**	1 099 847	1 109 600
LIABILITIES			
Opening carrying value	**1 137 380**	1 304 281	1 304 281
Additions	**277 129**	111 040	250 598
Disposals	**(458 681)**	(323 313)	(449 047)
Losses recognised in profit and loss [2]	**22 593**	25 624	31 548
Interest and other	**–**	(274)	–
Closing carrying value	**978 421**	1 117 358	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 on these items were recognised in profit and loss 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.

11. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

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

	Unaudited 31 Aug 17 R000	Unaudited 31 Aug 16 R000	Audited 28 Feb 17 R000
ASSETS			
Debt securities – held-to-maturity			
– Carrying value	**152 873**	212 384	144 092
– Fair value	**150 103**	234 490	141 481
LIABILITIES			
Investment contracts			
– Carrying value	**152 873**	212 384	144 092
– Fair value	**150 103**	234 490	141 481

The fair value of the financial assets and liabilities in the table above is categorised in terms of level 2 (31 Aug 2017: Rnil; 31 Aug 2016: R100.5 million; 28 Feb 2017: Rnil) and level 3 (31 Aug 2017: R150.1 million; 31 Aug 2016: R134.0 million; 28 Feb 2017: R141.5 million).

12. 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 period under review.

13. CAPITAL COMMITMENTS AND CONTINGENCIES

	Unaudited 31 Aug 17 R000	Unaudited 31 Aug 16 R000	Audited 28 Feb 17 R000
Operating lease commitments	**135 162**	155 378	156 379
Capital commitments	**–**	–	1 943

14. EVENTS AFTER THE REPORTING DATE

No event material to the understanding of these results has occurred between the end of the reporting period and the date of approval of the condensed consolidated interim financial statements, other than the acquisition of AIFA's commercial and industrial insurance brokerage business. Refer to the commentary for more detail on this transaction.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2017 (continued)

15. RECLASSIFICATION OF PRIOR YEAR FIGURES

The following reclassifications were applied to the 31 August 2016 and 28 February 2017 results:

Fair value adjustment to third-party liabilities

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

A detailed analysis of the fees received by PSG Securities Limited from the JSE was performed by management. As part of this assessment, management investigated certain fees which were previously disclosed under investment income in the year-end financial statements. Based on the findings, management reclassified these fees to commission and other fee income in order to better reflect the nature of these fees received from the JSE.

These reclassifications had no impact on the current or prior period reported earnings, diluted earnings or headline earnings per share, or on the net asset value or net cash flow.

	As previously stated R000	Reclassification – Fair value adjustment to third-party liabilities R000	Reclassification – Fee income R000	Restated R000
31 August 2016				
Consolidated income statement				
Total income				
Fair value adjustment to third-party liabilities	–	(993 652)	–	(993 652)
Total expenses				
Fair value adjustment to third-party liabilities	(993 652)	993 652	–	–
28 February 2017				
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

Company secretary
PSG Management Services Proprietary Limited

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

Postal address
PO Box 3335
Tyger Valley
Bellville
7536

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

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

PO Box 61051
Marshalltown
2107

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

Auditor
PricewaterhouseCoopers Inc.
Cape Town

Website address
www.psg.co.za

GREYMATTER & FINCH # 11180

FOR MORE INFORMATION,
VISIT OUR WEBSITE:

www.psg.co.za