



UNAUDITED RESULTS

for the six months ended
31 August 2018

Seeing the bigger picture
gives you the advantage.

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.

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

↑ **18% to 21.5 cents**
2017: 18.2 cents | 2016: 16.6 cents

Gross written premium¹

↑ **25% to R2 012m**
2017: R1 607m | 2016: R1 348m

Number of advisers

↑ **14% to 862**
2017: 753 | 2016: 738

Total assets under management

↑ **19% to R230bn**
2017: R193bn | 2016: R167bn

Dividend per share

↑ **23% to 7.0 cents**
2017: 5.7 cents | 2016: 5.1 cents

Total assets under administration²

↑ **7% to R426bn**
2017: R398bn | 2016: R354bn

¹ Includes gross written premiums on policies administered by the Insure distribution advisers, which are placed with third-party insurers. The group earns commission and administration fees on this. It excludes the short-term administration platform gross written premium.

² Includes assets administered by PSG Asset Management of R119bn.

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



CONTENTS

Commentary	3
Condensed consolidated statement of financial position	7
Condensed consolidated income statement	8
Condensed consolidated statement of comprehensive income	9
Condensed consolidated statement of changes in equity	10
Condensed consolidated statement of cash flows	11
Notes to the condensed consolidated interim financial statements	12
Corporate information	36

OUR MISSION

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

COMMENTARY

PSG Konsult delivered a commendable 18% growth in recurring headline earnings per share and a return on equity of 22%

OVERVIEW

PSG Konsult delivered a commendable 18% growth in recurring headline earnings per share and a return on equity of 22%. The continued upward trajectory of our key operating and financial metrics demonstrates the resilience of our business model and ability to gain market share, even in periods during which we experience economic headwinds. Total assets under management increased to R230 billion, comprising assets managed by PSG Wealth of R182 billion and PSG Asset Management of R48 billion, while PSG Insure's gross written premium increased by 25% to R2 billion. Performance fees earned constituted 4.6% of headline earnings in comparison to 4.4% in the comparative period.

PSG WEALTH

PSG Wealth achieved recurring headline earnings growth of 7%

We are satisfied with this result in the context of the prevailing investment market conditions. Management and other fees increased by 10% as the business continues to focus on recurring income and reduce its reliance on cyclical transactional brokerage fees, which decreased by 15% during the period under review due to lower transactional volumes. We continue to enhance our information technology (IT) systems and develop both the adviser and client online platforms, and all related costs continue to be fully expensed. Clients' assets managed by our Wealth advisers increased by 12% to R182.1 billion during the period under review, which included R7.0 billion of positive net inflows.

We remain confident about the fundamentals and prospects of this division. We believe that our advisers and clients will gain, over the long term, from our client-centric digital projects. We are particularly proud of the division's formidable financial adviser network, which consists of 546 advisers as at 31 August 2018. The experience and stature of the advisers that joined the firm during the period under review continue to add credibility to our growing brand equity. We remain focused on increasing client engagement and growing our market share.

PSG ASSET MANAGEMENT

PSG Asset Management's recurring headline earnings grew by 53%

The strong results achieved by this division is testimony to the team's excellent long-term track record of delivering top-quartile risk-adjusted investment returns for our clients. The team's ability to consistently generate alpha for clients across all asset classes over the appropriate investment horizon remained intact during difficult market conditions. Client assets under management increased by 13% to R48.1 billion during the six-month period. This included R4.1 billion of positive net client inflows, predominately into our higher-margin funds, with the bulk coming from our retail-orientated target market. We continue to add high-quality annuity earnings from our growing retail client base.

PSG INSURE

PSG Insure achieved recurring headline earnings growth of 11%

The group is pleased with this achievement, which has been driven by improved underwriting results. This division is in an early growth phase and continues to make inroads into the highly competitive short-term insurance market through organic growth and select acquisitions. It achieved gross written premium growth of 25% as we continue to focus our efforts on growing the commercial lines side of the business, which requires specialist adviser expertise. No significant catastrophe or other related events occurred during this period. When combined with our quality underwriting practices, this allowed us to achieve an improved net underwriting margin of 10.5% compared to the 7.4% we achieved in the prior period. The insurance advisers increased by 29% to 316 during the six-month period, following the acquisition of the commercial and industrial insurance brokerage business of Absa Insurance and Financial Advisers (AIFA) and continue to increase our market share on the commercial lines side.

PSG Konsult's key financial performance indicators for the six months ended 31 August 2018 are shown below:

	31 Aug 18 R000	Change %	31 Aug 17 R000
Core income	2 277 976	10	2 062 016
Headline and recurring headline earnings	283 146	18	239 275
Non-headline items	(1 297)		91
Earnings attributable to ordinary shareholders	281 849	18	239 366
Divisional recurring headline earnings			
PSG Wealth	159 787	7	149 923
PSG Asset Management	87 212	53	56 829
PSG Insure	36 147	11	32 523
	283 146	18	239 275
Weighted average number of shares in issue (net of treasury shares) (millions)	1 318.0	–	1 314.5
Earnings per share (basic) (cents)			
– Headline and recurring headline	21.5	18	18.2
– Attributable	21.4	17	18.2
– Headline (excluding intangible amortisation cost)	23.3	17	19.9
Dividend per share (cents)	7.0	23	5.7
Return on equity (ROE) (%)	21.9		21.4

STRATEGY

PSG Wealth's overall strategy offers an innovative and holistic end-to-end client proposition. We continue to invest in people (including the recruitment of experienced specialists) and in technology with the aim of enhancing user functionality to improve our client experience and product offering. Advisers play a key role in providing us with client feedback in order to enhance our platform and product capabilities. Management is proud of the experience and stature of the advisers in the business. PSG Wealth continues to invest in enhancing the strength and depth of our technology capabilities and in-house investment research team. This fully-fledged team has both fund and security investment research analysis capabilities. The focus continues to be on digital marketing and initiatives to best determine client needs in this regard. Our Wealth business is therefore well placed to meet all the investment needs of our clients. We nevertheless consistently strive to improve both our client and service offerings.

PSG Asset Management's strategy consists of three parts, namely investment excellence, operational efficiency, and effective sales and marketing initiatives. Generating the best long-term, risk-adjusted returns for investors is the division's primary focus. To this end, the division will continue to prioritise the investment team's performance while managing operational risks and processes. Increasing brand

awareness, particularly in the retail investor market, continues to be a key focus area for the marketing team, which allows the division to benefit from a growing investor base.

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

Building a cost-efficient and scalable business is a key priority for the board. As such, management pays careful attention to the group's cost structure as each division expands. The management team is committed to continuously invest in technology as a key enabler to achieve efficiency, automation and, ultimately, our growth objectives.

CORPORATE ACTIVITY

During the period under review, the company entered into negotiations regarding a potential acquisition. If it had been successfully concluded, based on the indicative transaction value, it would have qualified as a Category 2 transaction under the JSE Listings Requirements. Shareholders were advised, on 7 September 2018, that following a detailed due diligence investigation of this opportunity and lengthy negotiations, the parties were not able to agree on terms which would, in the view of the board, be in the long-term best interests of PSG Konsult's various stakeholders.

PSG Konsult's focus remains on organic growth, although it will consider acquisitions that meet its investment criteria, which require, inter alia, acceptable pricing, a compelling strategic rationale, clearly definable synergies and ease of integration.

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

PSG Insure

The acquisition of AIFA's commercial and industrial insurance brokerage business was completed effective 1 June 2018. The acquired business is made up of 82 advisers and in excess of 31 000 clients, which was integrated into the group's distribution network of PSG Insure advisers. This transaction enhances PSG Insure's footprint across South Africa and is already contributing to the group's profitability. All costs incurred in setting up the required office infrastructure to implement this transaction have been fully expensed.

The effective date of the acquisition of the remainder of the personal lines short-term insurance face-to-face advisory insurance brokerage business from AIFA is still expected to be concluded during the latter part of the 2019 financial year.

The Western Group's short- and long-term insurance licences in Botswana were approved during July 2018. The business is expected to become profitable in the medium term.

CAPITAL MANAGEMENT

PSG Konsult is strongly capitalised and complies with the more stringent capital requirements of Solvency Assessment and Management (SAM), which became effective 1 July 2018. On 23 July 2018, our strong financial position was again affirmed in the long- and short-term investment grade national scale ratings

assigned to PSG Konsult by rating agency Global Credit Rating Co. (GCR) of A-(ZA) and A1-(ZA) respectively, with a stable outlook. Other than the R100 million notes currently issued under the Domestic Medium Term Note (DMTN) programme, the group has no material interest-bearing debt and always maintains solid capital buffers. Our strong cash flow and low debt position allow us to use several levers to optimise risk-adjusted returns for our shareholders.

SHAREHOLDERS

The company's demonstrable track record on executing and delivering on our strategic goals has enabled us to further expand our institutional shareholder base.

PEOPLE

PSG Konsult had 239 offices and 2 734 employees as at 31 August 2018, which included 862 wealth and insure advisers. In addition, we also have 418 professional associates (accountants and attorneys). During the six month period under review, the number of PSG advisers increased by 78 through a combination of organic growth and selected acquisitions, including the AIFA acquisition by PSG Insure. We believe strongly in building our own future talent and are confident that the investment in our people will allow us to continue to prosper.

REGULATORY LANDSCAPE AND RISK MANAGEMENT

PSG Konsult, which has 24 regulatory licences (15 in South Africa and 9 in foreign jurisdictions), continues to foster good relationships with the regulators in the markets in which it operates.

AWARDS AND INDUSTRY ACCOLADES

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

PSG Wealth

- Ranked third overall in the 2018 Intellidex Wealth Manager of the Year competition. The division was further awarded first place in the successful entrepreneur archetype, and second place in the international wealthy family archetype.
- Ranked among the top five asset managers in the Morningstar South African Ratings Analysis and was the top-ranked multi-manager in the June 2018 quarterly survey.

PSG Asset Management

- Runner-up in the 2018 Raging Bull awards for South African Management Company of the Year.
- Top two manager in the Plexcrown Survey and among the top five in the Morningstar South African Ratings Analysis.

PSG Insure

- National Broker of the Year for Agricultural Business and Agricultural Award for Performance Excellence (Asset and Crop Combined) at the 2018 Santam National Broker Awards.

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 embarked on its strategy of cost-efficient brand building through online advertising and search campaigns. This was supported by increased activity on select social media platforms. The combined result has meant an increase in lead generation, traffic to the website and our social media following.

Enhancing the quality of our media presence through public relations remains a constant focus. Through times of political and economic uncertainty we have also continued to focus our efforts on client interaction through tailored events.

PSG has steadily increased both the quality and quantity of communications from world-class industry research for the savvy client to investor education for young savers. Clients can now choose which communications they wish to receive through the introduction of a subscription management tool.

INFORMATION TECHNOLOGY

As a group we are dedicated to providing outstanding outcomes for our clients. By focusing on simple-to-use, stable, client-centric solutions we are committed to delivering a great digital experience.

We continue to explore new and better ways to improve all our services based on objective data and feedback to make it easy for clients to access products in a way that best suits them.

LOOKING FORWARD

We continue to monitor all actions that stem from the current corporate, political and economic climate, and the associated impact on our clients and other stakeholders.

The group's aim remains to service existing clients in an integrated manner that is seamless and market leading, as well as to gain new clients. Several initiatives are in place to ensure this continues. The group's focus on products, platforms and client service excellence, through the quality of its advice process, works. As such, the prospects for continued growth remain compelling.

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

The group will continue to prioritise organic growth in our current selected markets where we have relatively low, but rapidly expanding, market shares. The group's capital position adequately considers our current growth plans.

EVENTS AFTER REPORTING DATE

No event material to the understanding of these results has occurred between 31 August 2018 and the date of approval of the condensed consolidated interim financial statements.

DIVIDEND

Given our continued confidence in business prospects, the board decided to approve and declare an interim gross dividend of 7.0 cents per share from income reserves for the six months ended 31 August 2018 (2017: 5.7 cents per share), which represents a 23% increase from the previous interim period. The group's dividend payout ratio remains at the low end of the dividend payout policy range announced at the time of listing.

The dividend is subject to a South African dividend withholding tax (DWT) rate of 20%, unless the shareholder is exempt from paying dividends tax or is entitled to a reduced rate in terms of the applicable double-tax agreement. Including DWT results in a net dividend of 5.6 cents per share. The number of issued ordinary shares is 1 342 242 208 at the date of this declaration. PSG Konsult's income tax reference number is 9550/644/07/5.

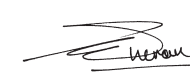
The following are the salient dates in relation to the dividend:

Last day to trade (cum dividend)	Tuesday, 30 October 2018
Trading ex dividend commences	Wednesday, 31 October 2018
Record date	Friday, 2 November 2018
Date of payment	Monday, 5 November 2018

Share certificates may not be dematerialised or rematerialised between Wednesday, 31 October 2018, and Friday, 2 November 2018, both days included.

The board would like to extend its gratitude to stakeholders, including shareholders, advisers, clients, business partners, management and employees, for their efforts and contributions during the past six months.

On behalf of the board



Willem Theron
Chairman



Francois Gouws
Chief executive officer

Tyger Valley
11 October 2018

www.psg.co.za

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 August and 28 February 2018

	Notes	Unaudited as at 31 Aug 18 R000	Unaudited as at 31 Aug 17 R000	Audited as at 28 Feb 18 R000
ASSETS				
Intangible assets		1 125 274	1 006 595	1 027 805
Property and equipment		71 552	48 620	74 286
Investment in joint ventures		1 238	1 133	1 094
Deferred income tax assets		86 305	80 435	102 091
Equity securities		2 520 607	2 104 693	2 321 482
Debt securities		2 878 932	3 943 613	2 582 815
Unit-linked investments		48 718 417	40 849 291	42 196 090
Investment in investment contracts		17 414	16 323	14 798
Loans and advances		111 404	125 099	134 202
Derivative financial instruments		17 105	13 005	8 854
Reinsurance assets		70 241	80 283	80 544
Deferred acquisition costs		5 671	4 393	4 820
Receivables including insurance receivables		1 807 997	1 700 815	1 904 775
Current income tax assets		21 602	19 621	39 089
Cash and cash equivalents (including money market funds)		1 769 571	1 455 880	1 920 626
Assets held for sale	8	16 980	–	–
Total assets		59 240 310	51 449 799	52 413 371
EQUITY				
Equity attributable to owners of the parent				
Stated capital		1 908 804	1 903 517	1 908 804
Treasury shares		(177 196)	(176 612)	(192 247)
Other reserves		(361 177)	(383 160)	(386 722)
Retained earnings		1 294 829	968 177	1 175 226
		2 665 260	2 311 922	2 505 061
Non-controlling interest		256 272	212 875	235 654
Total equity		2 921 532	2 524 797	2 740 715
LIABILITIES				
Insurance contracts		489 480	524 572	542 709
Deferred income tax liabilities		30 153	21 196	18 894
Borrowings		102 960	109 101	103 695
Derivative financial instruments		20 056	14 854	16 857
Investment contracts	6	26 219 315	24 767 685	24 278 949
Third-party liabilities arising on consolidation of mutual funds		27 311 201	21 603 419	22 585 256
Deferred reinsurance acquisition revenue		4 993	3 663	3 681
Trade and other payables		2 123 249	1 873 675	2 116 527
Current income tax liabilities		10 466	6 837	6 088
Liabilities held for sale	8	6 905	–	–
Total liabilities		56 318 778	48 925 002	49 672 656
Total equity and liabilities		59 240 310	51 449 799	52 413 371
Net asset value per share (cents)		202.0	175.3	190.1

CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 31 August and the year ended 28 February 2018

	Unaudited Six months ended 31 Aug 18 R000	Unaudited Six months ended 31 Aug 17 R000	Audited Year ended 28 Feb 18 R000
Gross written premium	604 427	596 679	1 181 333
Less: Reinsurance written premium	(163 945)	(146 555)	(296 740)
Net written premium	440 482	450 124	884 593
Change in unearned premium			
– Gross	32 156	23 324	28 477
– Reinsurers' share	2 696	(2 617)	(4 033)
Net insurance premium revenue	475 334	470 831	909 037
Commission and other fee income	1 577 267	1 398 828	2 880 635
Interest income on amortised cost financial instruments	92 975	81 760	197 328
Interest income on fair value through profit or loss financial instruments	598 219	507 049	1 006 048
Dividend income	107 451	174 653	423 476
Net fair value gains and losses on financial instruments	3 067 585	1 746 493	2 053 793
Fair value adjustment to investment contract liabilities	(1 778 571)	(1 185 456)	(1 654 563)
Fair value adjustment to third-party liabilities	(1 943 853)	(1 176 449)	(1 722 789)
Other operating income	109 832	89 027	110 675
Total income	2 306 239	2 106 756	4 203 640
Insurance claims and loss adjustment expenses	(376 842)	(431 306)	(816 429)
Insurance claims and loss adjustment expenses recovered from reinsurers	75 056	95 448	187 368
Net insurance benefits and claims	(301 786)	(335 858)	(629 061)
Commission paid	(716 188)	(631 698)	(1 199 447)
Depreciation and amortisation ¹	(40 099)	(34 591)	(69 725)
Employee benefit expenses	(461 047)	(393 477)	(825 668)
Marketing, administration and other expenses	(332 499)	(307 537)	(571 842)
Total expenses	(1 851 619)	(1 703 161)	(3 295 743)
Share of profits/(losses) of joint ventures	144	(45)	(84)
Total profit/(loss) from joint ventures	144	(45)	(84)
Profit before finance costs and taxation	454 764	403 550	907 813
Finance costs	(21 498)	(24 151)	(38 941)
Profit before taxation	433 266	379 399	868 872
Taxation	(127 009)	(119 273)	(256 221)
Profit for the period	306 257	260 126	612 651
Attributable to:			
Owners of the parent	281 849	239 366	566 476
Non-controlling interest	24 408	20 760	46 175
	306 257	260 126	612 651
Earnings per share (cents)			
Attributable (basic)	21.4	18.2	43.0
Attributable (diluted)	21.2	18.1	42.6
Headline and recurring headline (basic)	21.5	18.2	43.0
Headline and recurring headline (diluted)	21.3	18.1	42.6

¹ Includes amortisation cost of R25.3 million (31 Aug 2017: R22.7 million; 28 Feb 2018: R45.6 million).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 August and the year ended 28 February 2018

	Unaudited Six months ended 31 Aug 18 R000	Unaudited Six months ended 31 Aug 17 R000	Audited Year ended 28 Feb 18 R000
Profit for the period	306 257	260 126	612 651
Other comprehensive income for the period, net of taxation	5 855	(1 494)	(1 851)
<i>To be reclassified to profit or loss:</i>			
Currency translation adjustments	5 855	(1 494)	(1 851)
Total comprehensive income for the period	312 112	258 632	610 800
Attributable to:			
Owners of the parent	287 704	237 872	564 625
Non-controlling interest	24 408	20 760	46 175
	312 112	258 632	610 800

EARNINGS AND HEADLINE EARNINGS PER SHARE

for the six months ended 31 August and the year ended 28 February 2018

	Unaudited Six months ended 31 Aug 18 R000	Unaudited Six months ended 31 Aug 17 R000	Audited Year ended 28 Feb 18 R000
Headline earnings	283 146	239 275	566 396
Recurring	283 146	239 275	566 396
Non-recurring	—	—	—
Non-headline items (net of non-controlling interest and related tax effect)			
(Loss)/profit on disposal of intangible assets (including goodwill)	(1 437)	18	(148)
Other	140	73	228
Profit attributable to ordinary shareholders	281 849	239 366	566 476
Earnings per share (cents)			
Attributable (basic)	21.4	18.2	43.0
Attributable (diluted)	21.2	18.1	42.6
Headline and recurring headline (basic)	21.5	18.2	43.0
Headline and recurring headline (diluted)	21.3	18.1	42.6
Number of shares (millions)			
In issue (net of treasury shares)	1 319.3	1 318.6	1 317.5
Weighted average (net of treasury shares)	1 318.0	1 314.5	1 317.6

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 August and the year ended 28 February 2018

	Attributable to equity holders of the group				Non-controlling interest	Total
	Stated capital R000	Treasury shares R000	Other reserves R000	Retained earnings R000	R000	R000
Balance at 1 March 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)
<i>Total comprehensive income for the period</i>	—	—	(1 494)	239 366	20 760	258 632
Transactions with owners						
Issue of ordinary shares	154 012	(117 406)	18 034	(133 878)	(5 097)	(84 335)
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
Comprehensive income						
Profit for the period	—	—	—	327 110	25 415	352 525
Other comprehensive income for the period	—	—	(357)	—	—	(357)
<i>Total comprehensive income for the period</i>	—	—	(357)	327 110	25 415	352 168
Transactions with owners						
Issue of ordinary shares	5 287	(15 635)	(3 205)	(120 061)	(2 636)	(136 250)
Share-based payment costs	—	—	18 045	—	—	18 045
Capital contribution by non-controlling interest	—	—	—	—	432	432
Net movement in treasury shares	—	(9 382)	—	—	—	(9 382)
Equity-settled share-based payments	—	—	(21 250)	(51 108)	—	(72 358)
Release of profits from treasury shares to retained earnings	—	(6 253)	—	6 253	—	—
Dividends paid	—	—	—	(75 206)	(3 068)	(78 274)
Balance at 28 February 2018 (Audited)	1 908 804	(192 247)	(386 722)	1 175 226	235 654	2 740 715
Comprehensive income						
Profit for the period	—	—	—	281 849	24 408	306 257
Other comprehensive income for the period	—	—	5 855	—	—	5 855
<i>Total comprehensive income for the period</i>	—	—	5 855	281 849	24 408	312 112
Transactions with owners						
Share-based payment costs	—	—	19 690	(162 246)	(3 790)	(131 295)
Net movement in treasury shares ¹	—	15 051	—	—	—	15 051
Dividends paid	—	—	—	(162 246)	(3 790)	(166 036)
Balance at 31 August 2018 (Unaudited)	1 908 804	(177 196)	(361 177)	1 294 829	256 272	2 921 532

¹ The net movement in treasury shares relates to the release of shares to staff by the share trust in order to fulfil the deferred bonus obligations.

	Notes	Unaudited Six months ended 31 Aug 18 R000	Restated Unaudited Six months ended 31 Aug 17 R000	Audited Year ended 28 Feb 18 R000
Cash flows from operating activities				
Cash utilised in operations		(583 350)	(489 097)	(487 401)
Interest income		691 194	588 809	1 203 376
Dividend income		107 451	174 653	423 476
Finance costs		(13 566)	(15 370)	(23 105)
Taxation paid		(87 075)	(99 081)	(276 860)
<i>Operating cash flows before policyholder cash movement</i>		114 654	159 914	839 486
Policyholder cash movement		5 363	41 231	(13 238)
<i>Net cash flow from operating activities</i>		120 017	201 145	826 248
Cash flows from investing activities				
Acquisition of subsidiaries and businesses	9.1	(23 224)	—	—
Disposal of subsidiaries and businesses	9.2	(17 182)	—	—
Acquisition of intangible assets		(75 381)	(33 657)	(68 497)
Purchases of property and equipment		(13 021)	(7 166)	(45 321)
Other		2 721	726	860
<i>Net cash flow from investing activities</i>		(126 087)	(40 097)	(112 958)
Cash flows from financing activities				
Dividends paid		(166 036)	(138 975)	(217 249)
Advance of borrowings		—	100 000	100 000
Shares issued		—	66 623	70 339
Holding company's treasury shares sold by subsidiary		15 051	144 976	172 170
Purchase of holding company's treasury shares		—	(262 382)	(298 958)
Other		(784)	(1 678)	(3 180)
<i>Net cash flow from financing activities</i>		(151 769)	(91 436)	(176 878)
Net (decrease)/increase in cash and cash equivalents		(157 839)	69 612	536 412
Cash and cash equivalents at beginning of the period		1 920 626	1 385 542	1 385 542
Exchange gains/(losses) on cash and cash equivalents		9 212	726	(1 328)
Cash and cash equivalents at end of the period¹	9.4	1 771 999	1 455 880	1 920 626
¹ Includes the following:				
<i>Clients' cash linked to investment contracts</i>		6 337	55 443	974
<i>Other client-related balances</i>		309 491	242 984	353 759
		315 828	298 427	354 733

Notes to the statement of cash flow:

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. REPORTING ENTITY

2. BASIS OF PREPARATION

The condensed consolidated interim financial statements as at and for the six months ended 31 August 2018 have been prepared in accordance with the requirements of the JSE Limited (JSE) and the requirements of the Companies Act, No. 71 of 2008, as amended, applicable to 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 2018. 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. The comparative consolidated statement of cash flows and related segment information was restated, refer to note 14 for further details.

Estimates and judgements

3. INDEPENDENT REVIEW

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.

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 2018, except for the mandatory adoption of IFRS 9 – Financial instruments and IFRS 15 – Revenue from contracts with customers. The group has applied both standards retrospectively without restating comparative figures. Refer to note 15 for further detail.

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:

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2018

5. SEGMENT INFORMATION (continued)

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.

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 2018 (Unaudited)				
Headline earnings ¹	159 787	87 212	36 147	283 146
– recurring	159 787	87 212	36 147	283 146
– non-recurring	–	–	–	–
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 year ended 28 February 2018 (Audited)				
Headline earnings ¹	339 129	155 825	71 442	566 396
– recurring	339 129	155 825	71 442	566 396
– non-recurring	–	–	–	–

¹ Headline earnings, calculated in terms of the requirements stipulated in Circular 4/2018 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.

5. SEGMENT INFORMATION (continued)

5.3 Income per reportable segment

For the six months ended 31 August 2018 (Unaudited)	Wealth R000	Asset Management R000	Insure R000	Total R000
Total IFRS reported income	1 149 492	290 090	866 657	2 306 239
Linked investment business and other income	(28 263)	–	–	(28 263)
Total core income	1 121 229	290 090	866 657	2 277 976
Total segment income	1 406 531	438 929	881 587	2 727 047
Intersegment income	(285 302)	(148 839)	(14 930)	(449 071)

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2018

5. SEGMENT INFORMATION (continued)

5.4 Divisional income statements

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

For the six months ended 31 August 2018 (Unaudited)	Wealth R000	Asset Management R000	Insure R000	Total R000
Total income	1 121 229	290 090	866 657	2 277 976
Total expenses	(877 102)	(174 710)	(787 487)	(1 839 299)
	244 127	115 380	79 170	438 677
Total profit from joint ventures	–	–	144	144
Profit before finance costs and taxation	244 127	115 380	79 314	438 821
Finance costs ¹	(13 364)	(167)	(35)	(13 566)
Profit before taxation	230 763	115 213	79 279	425 255
Taxation	(67 778)	(28 001)	(23 219)	(118 998)
Profit for the period	162 985	87 212	56 060	306 257
Attributable to:				
Owners of the parent	159 841	87 212	34 796	281 849
Non-controlling interest	3 144	–	21 264	24 408
	162 985	87 212	56 060	306 257
Headline and recurring headline earnings	159 787	87 212	36 147	283 146

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 and recurring headline earnings	149 923	56 829	32 523	239 275

¹ Finance costs in the PSG Wealth division include the finance charge on the funding utilised to provide loan facilities to clients on their share portfolios at PSG Securities (secured by the underlying JSE Top 100 equity securities held in excess of four times the value of the loan facilities) for which PSG Wealth receives a margin. The finance costs of R13.4 million (31 Aug 2017: R15.0 million) consist of R4.6 million (31 Aug 2017: R5.5 million) on the loan funding, with the remaining portion of the finance charge on the CFD margin and the bank overdrafts.

5. SEGMENT INFORMATION (continued)

5.4 Divisional income statements (continued)

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2018

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 2018 (Unaudited)	Total IFRS reported R000	Own balances R000	Client- related balances R000
ASSETS			
Equity securities	2 520 607	17 689	2 502 918
Debt securities	2 878 932	38 828	2 840 104
Unit-linked investments	48 718 417	780 448	47 937 969
Investment in investment contracts	17 414	–	17 414
Receivables including insurance receivables	1 807 997	347 765	1 460 232
Derivative financial instruments	17 105	–	17 105
Cash and cash equivalents (including money market funds)	1 769 571	1 453 743	315 828
Other assets ¹	1 510 267	1 510 267	–
Total assets	59 240 310	4 148 740	55 091 570
EQUITY			
Equity attributable to owners of the parent	2 665 260	2 665 260	–
Non-controlling interest	256 272	256 272	–
Total equity	2 921 532	2 921 532	–
LIABILITIES			
Borrowings ²	102 960	1 683	101 277
Investment contracts	26 219 315	–	26 219 315
Third-party liabilities arising on consolidation of mutual funds	27 311 201	–	27 311 201
Derivative financial instruments	20 056	–	20 056
Trade and other payables	2 123 249	683 528	1 439 721
Other liabilities ³	541 997	541 997	–
Total liabilities	56 318 778	1 227 208	55 091 570
Total equity and liabilities	59 240 310	4 148 740	55 091 570

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, deferred acquisition costs and assets held for sale.

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, insurance contracts and liabilities held for sale.

5. SEGMENT INFORMATION (continued)

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

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 funds)	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 2018

5. SEGMENT INFORMATION (continued)

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

As at 28 February 2018 (Audited)	Total IFRS reported R000	Own balances R000	Client-related balances R000
ASSETS			
Equity securities	2 321 482	17 279	2 304 203
Debt securities	2 582 815	50 974	2 531 841
Unit-linked investments	42 196 090	629 630	41 566 460
Investment in investment contracts	14 798	–	14 798
Receivables including insurance receivables	1 904 775	310 491	1 594 284
Derivative financial instruments	8 854	–	8 854
Cash and cash equivalents (including money market funds)	1 920 626	1 565 893	354 733
Other assets ¹	1 463 931	1 463 931	–
Total assets	52 413 371	4 038 198	48 375 173
EQUITY			
Equity attributable to owners of the parent	2 505 061	2 505 061	–
Non-controlling interest	235 654	235 654	–
Total equity	2 740 715	2 740 715	–
LIABILITIES			
Borrowings ²	103 695	2 467	101 228
Investment contracts	24 278 949	–	24 278 949
Third-party liabilities arising on consolidation of mutual funds	22 585 256	–	22 585 256
Derivative financial instruments	16 857	–	16 857
Trade and other payables	2 116 527	723 644	1 392 883
Other liabilities ³	571 372	571 372	–
Total liabilities	49 672 656	1 297 483	48 375 173
Total equity and liabilities	52 413 371	4 038 198	48 375 173

¹ Other assets consist of property and equipment, intangible assets, investment in joint ventures, current and deferred income tax assets, loans and advances, reinsurance assets and deferred acquisition costs.

² The DMTN programme funding raised in order to internally fund the clients' Scriptfin loans has been reflected under client-related balances.

³ Other liabilities consist of deferred reinsurance acquisition revenue, current and deferred income tax liabilities and insurance contracts.

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 2018 (Unaudited)	Total IFRS reported R000	Core business R000	Linked investment business and other R000
Commission and other fee income ³	1 577 267	1 674 797	(97 530)
Investment income ⁴	798 645	99 467	699 178
Net fair value gains and losses on financial instruments	3 067 585	9 133	3 058 452
Fair value adjustment to investment contract liabilities	(1 778 571)	–	(1 778 571)
Fair value adjustment to third-party liabilities	(1 943 853)	–	(1 943 853)
Other ^{1,3}	585 166	494 579	90 587
Total income	2 306 239	2 277 976	28 263
Insurance claims and loss adjustment expenses	(376 842)	(376 842)	–
Other ^{2,3}	(1 474 777)	(1 462 457)	(12 320)
Total expenses	(1 851 619)	(1 839 299)	(12 320)
Total profit from joint ventures	144	144	–
Profit before finance costs and taxation	454 764	438 821	15 943
Finance costs	(21 498)	(13 566)	(7 932)
Profit before taxation	433 266	425 255	8 011
Taxation	(127 009)	(118 998)	(8 011)
Profit for the period	306 257	306 257	–
Attributable to:			
Owners of the parent	281 849	281 849	–
Non-controlling interest	24 408	24 408	–
	306 257	306 257	–

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 Investment income consists of interest income on amortised cost financial instruments, interest income on fair value through profit or loss financial instruments and dividend income.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2018

5. SEGMENT INFORMATION (continued)

5.6 Income statement (client vs own) (continued)

	Total IFRS reported R000	Core business R000	Linked investment business and other R000
For the six months ended 31 August 2017 (Unaudited)			
Commission and other fee income ³	1 398 828	1 472 949	(74 121)
Investment income ⁴	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.

⁴ Investment income consists of interest income on amortised cost financial instruments, interest income on fair value through profit or loss financial instruments and dividend income.

5. SEGMENT INFORMATION (continued)

5.6 Income statement (client vs own) (continued)

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

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

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

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

⁴ Investment income consists of interest income on amortised cost financial instruments, interest income on fair value through profit or loss financial instruments and dividend income.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2018

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.

		Total IFRS reported R000	Own balances R000	Client- related balances R000
For the six months ended 31 August 2018 (Unaudited)	Notes			
Cash flows from operating activities		120 017	151 282	(31 265)
Cash (utilised in)/generated by operations		(583 350)	171 615	(754 965)
Interest income		691 194	97 868	593 326
Dividend income		107 451	1 599	105 852
Finance costs		(13 566)	(13 566)	–
Taxation paid		(87 075)	(106 234)	19 159
Policyholder cash movement		5 363	–	5 363
Cash flows from investing activities		(126 087)	(118 447)	(7 640)
Acquisition of subsidiaries and businesses	9.1	(23 224)	(32 766)	9 542
Disposal of subsidiaries and businesses	9.2	(17 182)	–	(17 182)
Acquisition of intangible assets		(75 381)	(75 381)	–
Other		(10 300)	(10 300)	–
Cash flows from financing activities		(151 769)	(151 769)	–
Net decrease in cash and cash equivalents		(157 839)	(118 934)	(38 905)
Cash and cash equivalents at beginning of the period		1 920 626	1 565 893	354 733
Exchange gains on cash and cash equivalents		9 212	9 212	–
Cash and cash equivalents at end of the period	9.4	1 771 999	1 456 171	315 828

5. SEGMENT INFORMATION (continued)

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

	Total IFRS reported R000	Own balances R000	Client- related balances R000
For the six months ended 31 August 2017 (Unaudited) (Restated)			
Cash flows from operating activities²	201 145	106 141	95 004
Cash (utilised in)/generated by operations ²	(489 097)	121 189	(610 286)
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^{1,2}	(91 436)	(191 436)	100 000
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
	Total IFRS reported R000	Own balances R000	Client- related balances R000
For the year ended 28 February 2018 (Audited)			
Cash flows from operating activities	826 248	674 938	151 310
Cash (utilised in)/generated by operations	(487 401)	754 527	(1 241 928)
Interest income	1 203 376	188 355	1 015 021
Dividend income	423 476	2 846	420 630
Finance costs	(23 105)	(23 105)	–
Taxation paid	(276 860)	(247 685)	(29 175)
Policyholder cash movement	(13 238)	–	(13 238)
Cash flows from investing activities	(112 958)	(112 958)	–
Cash flows from financing activities¹	(176 878)	(276 878)	100 000
Net increase in cash and cash equivalents	536 412	285 102	251 310
Cash and cash equivalents at beginning of the year	1 385 542	1 282 119	103 423
Exchange losses on cash and cash equivalents	(1 328)	(1 328)	–
Cash and cash equivalents at end of the year	1 920 626	1 565 893	354 733

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

² The funding raised by the DMTN programme, which was previously disclosed as a cash flow from operating activities, has now been shown as a cash flow from financing activities. Refer to note 14 for the details of the restatement.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2018

6. INVESTMENT CONTRACTS

Investment contracts are represented by the following financial assets:

	Unaudited as at 31 Aug 18 R000	Unaudited as at 31 Aug 17 R000	Audited as at 28 Feb 18 R000
Equity securities	2 346 478	1 983 801	2 192 586
Debt securities	457 343	1 659 508	483 551
Unit-linked investments	23 391 743	21 052 610	21 587 040
Investments in investment contracts	17 414	16 323	14 798
Cash and cash equivalents	6 337	55 443	974
	26 219 315	24 767 685	24 278 949

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 419.3 million (31 Aug 2017: R1 317.3 million; 28 Feb 2018: R1 372.6 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. ASSETS AND LIABILITIES HELD FOR SALE

For the six months ended 31 August 2018

The assets and liabilities classified as held for sale relate to the PSG Wealth Limited (Mauritius) and PSG Securities Limited (Mauritius) businesses, which have been presented as held for sale following the approval by the group's management to sell these businesses.

	PSG Wealth Limited (Mauritius) R000	PSG Securities Limited (Mauritius) R000	Total R000
Assets classified as held for sale			
Intangible assets – Goodwill	3 053	1 381	4 434
Intangible assets – Customer relationships	2 561	561	3 122
Receivables including insurance receivables	2 438	3 774	6 212
Property and equipment	606	–	606
Other assets	152	26	178
Cash and cash equivalents (including money market funds)	505	1 923	2 428
	9 315	7 665	16 980
Liabilities classified as held for sale			
Trade and other payables	1 819	4 056	5 875
Other liabilities	773	257	1 030
	2 592	4 313	6 905

The group expects to complete the sale of these businesses within 12 months of 31 August 2018.

9. NOTES TO THE STATEMENT OF CASH FLOWS

9.1 Acquisition of subsidiaries and businesses

For the six months ended 31 August 2018

Collective investment schemes

The group obtained control of the PSG Wealth Global Preserver Feeder Fund during the six months ended 31 August 2018. This fund was consolidated in accordance with IFRS 10 – Consolidated financial statements and is a collective investment scheme managed by an entity within the group.

	PSG Wealth Global Preserver Feeder Fund
Fund consolidated	
% interest in fund on effective date	31
Date of acquisition	31 August 2018
	R000
Details of the net assets acquired are as follows:	
Unit-linked investments	992 065
Receivables including insurance receivables	553
Cash and cash equivalents (including money market funds)	9 542
Third-party liabilities arising on consolidation of mutual funds	(689 002)
Trade and other payables	(382)
Net asset value	312 776
Fair value of interest held before the business combination	(312 776)
Cash consideration paid	–
Cash and cash equivalents acquired	9 542
Net cash inflow in the six months ended 31 August 2018	9 542

Had the PSG Wealth Global Preserver Feeder Fund been consolidated from 1 March 2018, total income of R11.4 million and profit of Rnil would have been recognised in the consolidated income statement.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2018

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

9.1 Acquisition of subsidiaries and businesses (continued)

For the six months ended 31 August 2018 (continued)

Other business combinations

PSG Konsult Limited, through its subsidiary PSG Wealth Financial Planning Proprietary Limited, acquired the commercial and industrial short-term insurance brokerage business of Absa Insurance and Financial Advisers Proprietary Limited (AIFA). The effective date of the transaction was 1 June 2018 following the fulfilment of suspensive conditions.

Details of the net assets acquired and goodwill are as follows:	R000
Cash paid	32 766
Cash due	32 765
Total purchase consideration	65 531
Less: Fair value of net assets acquired	(42 597)
Goodwill recognised on acquisition	22 934
The remaining purchase consideration will be paid in two 25% tranches over the next two years.	
Cash consideration paid	(32 766)
Cash and cash equivalents acquired	–
Net cash outflow in the six months ended 31 August 2018	(32 766)

The goodwill is mainly attributable to the workforce of the acquired business.

	Fair value R000	Acquiree's carrying amount R000
The assets and liabilities arising from the acquisition are as follows:		
Intangible assets – Customer relationships	59 162	–
Deferred income tax	(16 565)	–
Total identifiable net assets	42 597	–

The income, included in the consolidated income statement, contributed by the AIFA commercial and industrial short-term insurance brokerage business since the acquisition date was R36.3 million. The book of business also contributed a profit after taxation of R2.4 million over the same period.

Had the AIFA commercial and industrial short-term insurance brokerage business been consolidated from 1 March 2018, the consolidated income statement would have shown income of R72.6 million and profit after taxation of R4.8 million for the six months ended 31 August 2018.

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

9.2 Disposal of subsidiaries and businesses

For the six months ended 31 August 2018

Collective investment schemes

The group deconsolidated the PSG Multi-Management Foreign Flexible Fund of Funds during the six months ended 31 August 2018 as the group lost control of this fund, when it merged with the PSG Wealth Global Flexible Feeder Fund, due to a decrease in the effective interest in the fund.

Details of the net assets disposed of are as follows:	R000
Unit-linked investments	133 049
Receivables including insurance receivables	186 008
Cash and cash equivalents (including money market funds)	17 182
Third-party liabilities arising on consolidation of mutual funds	(228 106)
Trade and other payables	(2 511)
Net asset value	105 622
Transfer to unit-linked investments	(105 622)
Cash consideration received	–
Cash and cash equivalents given up	(17 182)
Net cash outflow in the six months ended 31 August 2018	(17 182)

9.3 Other acquisitions – standardising of revenue sharing model

For the six months ended 31 August 2018

The group (through its subsidiary PSG Wealth Financial Planning Proprietary Limited) concluded further revenue-sharing arrangements with a large number of its advisers. The purpose of these transactions were to standardise the revenue sharing arrangements between the advisers and PSG Konsult.

A cash consideration of R24.4 million was paid on the effective dates. These transactions did not qualify for accounting in terms of IFRS 3 – Business combinations as the assets acquired (the right to an increased share in the income stream of the adviser) did not constitute a business acquired.

These transactions contributed R1.2 million to our headline earnings during the six months ended 31 August 2018, net of amortisation cost of R0.6 million.

For the year ended 28 February 2018

The group (through its subsidiary PSG Wealth Financial Planning Proprietary Limited) concluded various asset-for-share transactions (utilising section 42 of the Income Tax Act, No. 58 of 1962) as well as further revenue sharing arrangements with a number of its advisers during the financial year. The purpose of these transactions was to standardise the revenue sharing arrangements between the advisers and PSG Konsult.

The consideration was paid with the issue of PSG Konsult shares (0.6 million shares at an average of R8.97 per share) and a cash consideration of R17.3 million on the effective dates. These transactions did not qualify for accounting in terms of IFRS 3 – Business combinations as the assets acquired (the right to an increased share in the income stream of the adviser) did not constitute a business acquired.

These transactions contributed R1.1 million to our headline earnings during the 2018 financial year, net of amortisation cost of R0.5 million.

9.4 Cash and cash equivalents at end of the period

For the six months ended 31 August 2018

	31 Aug 18 R000
Cash and cash equivalents (including money market funds)	1 769 571
Cash and cash equivalents classified as assets held for sale	2 428
	1 771 999

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2018

10. FINANCIAL RISK MANAGEMENT

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

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

The condensed consolidated 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 2018.

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

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

Market risk is the risk of 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 price and interest rate risk. As a result, the management fees fluctuate, but cannot be less than nil.

Included in the equity securities of R 2 520.6 million (31 Aug 2017: R2 104.7 million; 28 Feb 2018: R2 321.5 million) are quoted equity securities of R 2 520.4 million (31 Aug 2017: R2 104.3 million; 28 Feb 2018: R2 321.2 million), of which R 2 346.5 million (31 Aug 2017: R1 983.8 million; 28 Feb 2018: R2 192.6 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 R 23 391.7 million (31 Aug 2017: R21 052.6 million; 28 Feb 2018: R21 587.0 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 R 457.3 million (31 Aug 2017: R1 659.5 million; 28 Feb 2018: R483.6 million) and do not expose the group to interest rate risk. Cash and cash equivalents linked to policyholder investments amounted to R 6.3 million (31 Aug 2017: R55.4 million; 28 Feb 2018: R1.0 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.

10. 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 2018.

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 unithised financial asset that is linked to the liability, multiplied by the number of units held	Not applicable
Third-party financial liabilities arising on 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 2018 (Unaudited)	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
Financial assets				
Derivative financial instruments	–	17 105	–	17 105
Equity securities	2 520 367	–	240	2 520 607
Debt securities	869 161	1 889 646	–	2 758 807
Unit-linked investments	–	48 195 372	523 045	48 718 417
Investment in investment contracts	–	17 414	–	17 414
	3 389 528	50 119 537	523 285	54 032 350
Financial liabilities				
Derivative financial instruments	–	20 056	–	20 056
Investment contracts	–	25 595 168	504 022	26 099 190
Trade and other payables	–	–	70 264	70 264
Third-party liabilities arising on consolidation of mutual funds	–	27 311 201	–	27 311 201
	–	52 926 425	574 286	53 500 711

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2018

10. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

As at 31 August 2017 (Unaudited)	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
Financial assets				
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
	<u>2 909 514</u>	<u>42 919 100</u>	<u>945 438</u>	<u>46 774 052</u>
Financial liabilities				
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
	<u>—</u>	<u>45 298 022</u>	<u>978 421</u>	<u>46 276 443</u>
As at 28 February 2018 (Audited)	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
Financial assets				
Derivative financial instruments	—	8 854	—	8 854
Equity securities	2 321 235	7	240	2 321 482
Debt securities	922 377	1 500 509	—	2 422 886
Unit-linked investments	—	41 478 953	717 137	42 196 090
Investment in investment contracts	—	14 798	—	14 798
	<u>3 243 612</u>	<u>43 003 121</u>	<u>717 377</u>	<u>46 964 110</u>
Financial liabilities				
Derivative financial instruments	—	16 857	—	16 857
Investment contracts	—	23 420 874	698 146	24 119 020
Trade and other payables	—	—	45 344	45 344
Third-party liabilities arising on consolidation of mutual funds	—	22 585 256	—	22 585 256
	<u>—</u>	<u>46 022 987</u>	<u>743 490</u>	<u>46 766 477</u>

10. 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 18 R000	Unaudited 31 Aug 17 R000	Audited 28 Feb 18 R000
Assets			
Opening carrying value	717 377	1 109 600	1 109 600
Additions	124 895	254 646	487 832
Disposals	(348 349)	(441 401)	(903 023)
Gains recognised in profit or loss ¹	29 362	22 593	22 968
Closing carrying value	<u>523 285</u>	<u>945 438</u>	<u>717 377</u>
Liabilities			
Opening carrying value	743 490	1 137 380	1 137 380
Additions	248 719	277 129	541 839
Disposals	(446 862)	(458 681)	(962 005)
Losses recognised in profit or loss ²	29 324	22 593	26 276
Reclassified to held for sale	(385)	—	—
Closing carrying value	<u>574 286</u>	<u>978 421</u>	<u>743 490</u>

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

² Losses on these items were recognised in profit or 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2018

10. 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 18 R000	Unaudited 31 Aug 17 R000	Audited 28 Feb 18 R000
Assets			
Debt securities			
– Carrying value	120 125	152 873	159 929
– Fair value	118 204	150 103	159 038
Liabilities			
Investment contracts			
– Carrying value	120 125	152 873	159 929
– Fair value	118 204	150 103	159 038

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

11. RELATED-PARTY TRANSACTIONS

Related-party transactions similar to those disclosed in the group's annual financial statements for the year ended 28 February 2018 took place during the period under review.

12. CAPITAL COMMITMENTS AND CONTINGENCIES

	Unaudited 31 Aug 18 R000	Unaudited 31 Aug 17 R000	Audited 28 Feb 18 R000
Operating lease commitments	147 042	135 162	142 975

13. EVENTS AFTER THE REPORTING DATE

No event material to the understanding of these results has occurred between the end of the reporting period and the date of approval of the condensed consolidated interim financial statements.

14. RESTATEMENT OF PRIOR YEAR FIGURES

The following restatement was applied to the 31 August 2017 consolidated statement of cash flows and related segment information:

PSG Konsult Limited, through its subsidiary PSG Konsult Treasury Limited, established a DMTN programme during the 2018 financial year and issued a R100 million senior unsecured floating rate note on 12 July 2017. The DMTN funding was raised to internally fund clients' Scriptfin loans, and was consequently classified under cash flows from operating activities in the interim financial statements for the six months ended 31 August 2017. The group has subsequently decided to restate the classification of this cash inflow to cash flows from financing activities to more correctly reflect the nature of this cash flow in terms of IAS 7 – Statement of cash flows.

This restatement had no impact on the current or prior year reported earnings, diluted earnings or headline earnings per share, or on the net asset value or net cash flow. This cash flow was shown under client-related balances therefore there was no impact on the cash flows relating to own balances.

	As previously stated R000	Restatement – DMTN R000	Restated R000
Consolidated statement of cash flows			
Cash flows from operating activities			
Cash utilised in operations	(389 097)	(100 000)	(489 097)
Cash flows from financing activities			
Advance of borrowings	–	100 000	100 000

15. ADOPTION OF NEW ACCOUNTING STANDARDS

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

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

The changes in accounting policies were applied retrospectively without restating comparative figures. 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.

Adoption of IFRS 15

This new standard provides a single, principles-based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

A significant portion of the group's revenue is accounted for in terms of IFRS 4 – Insurance contracts and IFRS 9 – Financial instruments, which are all scoped out of IFRS 15.

There are no material changes to the revenue recognition for commission and other fee income which are recognised under IFRS 15. Consequently, there was no financial impact to the consolidated group on 1 March 2018 upon adoption of IFRS 15.

Adoption of IFRS 9

This new standard represents a package of reform to financial instrument accounting to replace IAS 39 – Financial instruments: Recognition and measurement.

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2018

15. ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

The impact on the classification and measurement of financial assets will be as follows for the group:

- Financial instruments and derivative assets, which are held to back client assets or for risk management purposes, currently measured at fair value through profit or loss, will also be measured at fair value through profit or loss under IFRS 9.
- Loans and receivables that are classified as loans and receivables and measured at amortised cost under IAS 39 will be measured at amortised cost under IFRS 9.

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

- The majority of financial assets in the group are measured at fair value through profit or loss.
- All insurance and reinsurance receivables are recognised in terms of IFRS 4 and will be included in the IFRS 17 assessment.

Only debt instruments classified as financial assets at amortised cost or fair value through other comprehensive income are subject to the new ECL model. In assessing the impairment that should be raised under the ECL model on these financial assets, credit enhancements such as security held against loans and receivables are taken into account in the ECL model. It was noted that the impact of the ECL provision was substantially impacted by the credit enhancements, and the increase in the impairment provision from the incurred loss model to the ECL model was found to be immaterial.

Financial liabilities

The requirement for the classification and measurement under IFRS 9 has not changed significantly from IAS 39. The group under IAS 39 classified the majority of the investment contract liabilities and third-party liabilities arising on consolidation of mutual funds at fair value through profit or loss, so as to eliminate an accounting mismatch as the linked policyholder assets and the assets relating to the consolidated mutual funds are carried at fair value through profit or loss. The group has as part of its IFRS 9 implementation process considered the classification of its linked policyholder assets and consolidated mutual fund assets, and the direct impact these financial assets would have on the measurement on the related financial liabilities. It was found that the measurement of financial assets at fair value through profit or loss was appropriate and therefore to avoid an accounting mismatch, the corresponding financial liabilities were retained at fair value through profit or loss. Therefore, no impact upon adoption of IFRS 9 was identified.

Impact on adoption of IFRS 9

The net financial impact of the changes in classification and measurement after tax had a Rnil impact on opening retained earnings on 1 March 2018. Upon adoption of IFRS 9, the group has no financial instruments that will be measured at fair value through other comprehensive income.

IFRS 9 introduced a consequential amendment to IAS 1, requiring interest income calculated using the effective interest rate method to be separately presented on the face of the income statement. Refer to the condensed consolidated income statement where this amendment has been made.

CORPORATE INFORMATION

Non-executive directors

W Theron (Chairman)
PJ Mouton
J de V du Toit[^]
PE Burton*
ZL Combi*
R Stassen*
ZRP Matsau*
([^] 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

PSG Konsult 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 secretary

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

PO Box 61051

Marshalltown
2107

Sponsors

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

Auditor

PricewaterhouseCoopers Inc.
Cape Town

www.psg.co.za