



UNAUDITED RESULTS
FOR THE SIX MONTHS ENDED
31 AUGUST 2020

*Seeing the bigger picture
gives you the advantage.*



WHO WE ARE



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

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

WHAT WE DO

PSG Wealth

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

PSG Asset Management

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

PSG Insure

Personal and commercial short-term insurance solutions.

WHAT WE OFFER



PSG Wealth

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



PSG Asset Management

- Investments
- Unit trusts
- Institutional portfolio management



PSG Insure

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

SALIENT FEATURES

↑
7%
Recurring headline earnings per share
to 24.8 cents
2019: 23.2 cents | 2018: 21.5 cents

0%
Gross written premium¹
to R2.7bn
2019: R2.7bn | 2018: R2.0bn

↑
1%
Number of advisers
to 938
2019: 928 | 2018: 862

↑
7%
Total assets under management
to R245bn
2019: R228bn | 2018: R230bn

↑
7%
Dividend per share
to 8.0 cents
2019: 7.5 cents | 2018: 7.0 cents

↓
13%
Total assets under administration²
to R350bn
2019: R401bn | 2018: R426bn

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 Decline mainly due to the corporate activity transactions implemented by PSG Group, namely the unbundling of Capitec shares and sale by Zeder of its Pioneer Foods shares during the period ended August 2020.

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Financial results

PSG Konsult achieved a solid 7% growth in recurring headline earnings per share and generated a return on equity of 19.6%, despite poor operating conditions. We continued to further automate and streamline our platforms and processes, aligned with our goal of enhancing our digital capabilities and overall client experience. Our results were adversely impacted by the sharp decline in interest rates, which reduced our net investment income, and the support we provided clients through premium relief, interim business interruption relief payments and other measures.

PSG Konsult's key financial performance indicators for the six months ended 31 August 2020 are shown below:

“
PSG Konsult achieved a solid 7% growth in recurring headline earnings per share and generated a return on equity of 19.6%.

	31 Aug 20 R000	Change %	31 Aug 19 R000
Core income	2 558 329	1	2 525 143
Recurring headline earnings	331 655	7	310 634
Non-recurring item ¹	(7 200)		–
Headline earnings	324 455	4	310 634
Non-headline items	624		(57)
Earnings attributable to ordinary shareholders	325 079	5	310 577
Divisional recurring headline earnings			
PSG Wealth	218 972	25	175 476
PSG Asset Management	49 542	(39)	81 064
PSG Insure	63 141	17	54 094
	331 655	7	310 634
Weighted average number of shares in issue (net of treasury shares) (millions)	1 338.5	–	1 339.4
Earnings per share (basic) (cents)			
– Recurring headline	24.8	7	23.2
– Headline	24.2	5	23.2
– Attributable	24.3	5	23.2
– Headline – excluding intangible asset amortisation cost	27.0	7	25.2
Dividend per share (cents)	8.0	7	7.5
Return on equity (ROE) (%)	19.6		20.2

¹ Non-recurring item relates to a R10.0 million (R7.2 million net of tax) donation to the South African Solidarity Fund in April 2020.

PSG Wealth

PSG Wealth achieved recurring headline earnings growth of 25%

The division performed well during a period characterised by challenging and volatile market conditions. The division's revenue increased by 9% during the current year, consisting of an increase in management and other recurring fees of 6%, while transactional local brokerage fees increased by 23% as a result of increased trading activity during the current period.

We continue to enhance and streamline our information technology systems and platforms for both our advisers and clients. Our investment in digital technology over the past several years assisted our advisers and staff to successfully adapt to working remotely during the lockdown period. All related IT system costs continue to be fully expensed.

Clients' assets managed by our Wealth advisers increased by 11% to R213.7 billion during the period under review, which included R6.3 billion of positive net inflows.

The division's formidable financial adviser network consisted of 563 wealth advisers as at 31 August 2020.

PSG Asset Management

PSG Asset Management's recurring headline earnings decreased by 39%

The results achieved by this division continued to be adversely impacted by the current challenging market conditions which resulted in no performance fees being earned during the current period. Although investment performance delivered is currently below benchmark, recent short-term performance shows encouraging early signs of improvement. Client assets under management decreased by 14% to R31.5 billion during the current period, due to a combination of market movements and net client outflows. Assets administered by the division increased by 7% to R128.3 billion, supported by R4.3 billion of multi-managed net inflows.

During the period we appointed 23 new wealth advisers, while the assets managed by the smaller advisers that left the group during the period were transferred to other existing PSG advisers. The limited impact of these smaller advisers who left is evident in the positive net inflows achieved by the division.

The current period of extreme market volatility again highlighted that effective investment advice provides clients with greater peace of mind and limits emotionally driven investment decisions. Therefore, clients need expert guidance from advisers who have a holistic, long-term view. We thus remain confident about the fundamentals and prospects of this division and believe that our commitment to long-term relationships with clients will continue to differentiate us in the markets in which we compete.

PSG Wealth received the following awards during the current period:

- Top Wealth Manager of the Year: Large Institutions at the Intellidex Top Private Banks and Wealth Managers Awards during July 2020, for the second year in a row. The division delivered a strong showing across all categories, including winning the Top Relationship Manager category.
- Top Relationship Manager of the Year at the annual Intellidex Top Stockbrokers awards during September 2020.

PSG Insure

PSG Insure achieved recurring headline earnings growth of 17%

The division achieved commendable results, notwithstanding challenging operating conditions and client relief measures implemented during the period. This division continues to focus on growing the commercial lines' side of the business, which requires specialist adviser expertise. Western National Insurance supported qualifying policyholders by making interim relief payments for COVID-19-related business interruption claims, while no significant catastrophe events occurred during the current period. When combined with our quality underwriting practices, Western National Insurance achieved a commendable net underwriting margin of 13.2% compared to the 10.4% achieved in the prior period. The insurance advisers decreased by 1% to 375 during the current period, mainly due to smaller adviser rationalisation.

PSG Insure was recognised as the Santam National Broker of the Year for performance excellence in commercial lines, personal lines, specialist business and portfolio administration during July 2020.

Strategy

PSG Wealth's overall strategy offers an innovative and all-inclusive end-to-end client proposition and includes a complete set of discretionary and non-discretionary investment products with competitive administration fees. We advocate diversification and our solutions offer a balance between rand hedge and interest-rate-sensitive investments with a long-term focus. Management is proud of the experience and stature of the advisers in the business, who play a key role in providing us with client feedback in order to continuously enhance our platform and product capabilities. Engaging with our clients remains central to our philosophy, with the focus being on digital events during the current period. Our Wealth business is well placed to meet all investment needs and consistently strives to improve both our adviser and client service offerings.

PSG Asset Management's strategy consists of investment excellence, operational efficiency, and effective sales and marketing initiatives. Generating the best long-term, risk-adjusted returns for investors remains the division's primary focus. The division continues to prioritise investment performance while managing operational processes and talent management. Increasing brand awareness, particularly in the retail investor market, and consistent and regular client communication through events and publications continue to be key focus areas for the division. The division continued regular client communication and digital events during the current period, given challenging market conditions.

PSG Insure provides simple and cost-effective short-term insurance solutions to clients, protecting them from unforeseen events. 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 functions to build scale and unlock operational efficiencies, thereby enabling our high calibre advisers to focus on client relationships.

Corporate activity

The group concluded portfolio management acquisition transactions with some of its advisers during the current period to consolidate and align certain client share portfolio research and operational management activities within the firm. The consideration was paid with the issue of PSG Konsult shares (5 million shares at an average of R7.35 per share) with the balance being paid in cash.

Capital management

PSG Konsult remains strongly capitalised, notwithstanding current market conditions, and complies with the Prudential Authority's Financial Soundness Standards, with a capital cover ratio of 208% (2019: 182%) based on the latest insurance group return. Our prudent approach to investing shareholder assets, that support our regulatory capital requirements, continues to ensure that the group has a strong balance sheet and excellent liquidity. Shareholder assets invested in cash, money market and related instruments continue to comprise circa 90% of total investable shareholder assets.

To minimise the impact of share issue dilution, the group also repurchased and cancelled 9 125 330 shares at a cost of R65.2 million during the current period at a weighted average cost price of R7.14 per share.

Regulatory landscape and risk management

PSG Konsult has 24 regulatory licences (17 in South Africa and 7 in foreign jurisdictions) and maintains good relationships with the regulators in the markets in which we operate.

Marketing initiatives

The group continued to successfully interact with clients during the lockdown period. Initiatives such as the successful Think Big series, featuring a collection of insightful conversations with prominent speakers, enabled us to engage digitally with clients during a period where in-person events were not possible.

Information technology

As a group, we are committed to providing great outcomes for our advisers and clients. By focusing on simple-to-use, stable, client-centric solutions, we are committed to delivering a great digital client experience. The group continued to make positive progress during the current period by enhancing strategic adviser and client systems and processes, aligned with our goal of enhancing digital capabilities and overall client experience.

The management team, supported by the board, is committed to continuously investing in technology to support the divisions' service offering with leading-edge technology.

Looking forward

We continue to monitor the macroeconomic environment, both locally and globally, and the associated impact on our clients and other stakeholders. Our strong financial position and cash flow enables us to continue to invest in long-term growth opportunities, systems and processes, whilst optimising risk-adjusted returns for shareholders. As such, we remain confident about the prospects for continued growth.

Events after reporting date

No events material to the understanding of these results, other than those disclosed in note 10 of the condensed consolidated interim financial statements, have occurred between 31 August 2020 and the date of approval of the condensed consolidated interim financial statements.

Dividend

The board decided to approve and declare an interim gross dividend of 8.0 ZAR cents per share from income reserves for the six months ended 31 August 2020 (2019: 7.5 ZAR cents per share) given the group's strong financial position and confidence in the group's prospects. The group's dividend payout ratio remains consistent with the dividend policy communicated 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 6.4 ZAR cents per share. The number of issued ordinary shares is 1 352 797 270 at the date of this declaration. PSG Konsult's income tax reference number is 9550/644/07/5.

The salient dates of the dividend declaration are:

Declaration date	Thursday, 8 October 2020
Last day to trade cum dividend	Tuesday, 27 October 2020
Trading ex-dividend commences	Wednesday, 28 October 2020
Record date	Friday, 30 October 2020
Date of payment	Monday, 2 November 2020

As the dividend has been declared and denominated in Rand, it will be paid (in Rand) into the bank accounts of shareholders appearing on the Mauritian register.

Share certificates may not be dematerialised or rematerialised between Wednesday, 28 October 2020 and Friday, 30 October 2020, both days inclusive.

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

On behalf of the board



Willem Theron
Chairman

Tyger Valley
8 October 2020
www.psg.co.za



Francois Gouws
Chief executive officer

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 August and 29 February 2020

Notes	Unaudited as at 31 Aug 20 R000	Unaudited as at 31 Aug 19 R000	Audited as at 29 Feb 20 R000
ASSETS			
Intangible assets	1 255 041	1 164 302	1 144 803
Property and equipment	80 243	97 286	91 715
Right-of-use assets	227 600	228 251	248 220
Investment in joint ventures	1 030	1 230	1 105
Deferred income tax assets	67 697	82 896	81 315
Equity securities	2 367 266	2 386 594	2 229 474
Debt securities	6 285 130	6 846 129	6 212 400
Unit-linked investments	54 672 869	49 194 130	50 398 850
Investment in investment contracts	18 292	17 364	15 587
Loans and advances	139 505	110 086	138 012
Derivative financial instruments	13 574	14 658	23 131
Reinsurance assets	191 048	165 159	127 303
Deferred acquisition costs	7 782	6 334	6 622
Receivables including insurance receivables	2 019 468	2 129 792	2 094 305
Current income tax assets	22 279	32 510	13 093
Cash and cash equivalents (including money market funds)	1 616 029	849 797	1 073 653
Total assets	68 984 853	63 326 518	63 899 588
EQUITY			
Equity attributable to owners of the parent			
Stated capital	2 040 493	2 153 717	2 069 029
Treasury shares	(159 470)	(219 677)	(171 128)
Other reserves	(357 945)	(343 914)	(394 319)
Retained earnings	1 926 365	1 567 037	1 802 273
	3 449 443	3 157 163	3 305 855
Non-controlling interest	304 760	248 126	278 647
Total equity	3 754 203	3 405 289	3 584 502
LIABILITIES			
Insurance contracts	630 945	600 970	554 469
Deferred income tax liabilities	77 575	52 018	69 701
Borrowings	—	494	—
Lease liabilities	291 284	275 864	304 964
Derivative financial instruments	10 341	18 356	30 406
Investment contracts	28 188 290	26 574 063	26 694 209
Third-party liabilities arising on consolidation of mutual funds	33 607 218	30 055 944	30 293 931
Deferred reinsurance acquisition revenue	7 263	6 319	7 079
Trade and other payables	2 412 184	2 330 243	2 356 383
Current income tax liabilities	5 550	6 958	3 944
Total liabilities	65 230 650	59 921 229	60 315 086
Total equity and liabilities	68 984 853	63 326 518	63 899 588
Net asset value per share (cents)	258.2	235.6	247.0

CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 31 August and the year ended 29 February 2020

	Unaudited Six months ended 31 Aug 20 R000	Unaudited Six months ended 31 Aug 19 R000	Audited Year ended 29 Feb 20 R000
Gross written premium	772 698	730 922	1 520 299
Less: Reinsurance written premium	(242 819)	(220 881)	(462 179)
Net written premium	529 879	510 041	1 058 120
Change in unearned premium			
— Gross	8 819	5 451	32 721
— Reinsurers' share	1 060	3 816	6 165
Net insurance premium revenue	539 758	519 308	1 097 006
Revenue from contracts with customers and other operating income	1 878 723	1 855 455	3 678 801
Interest income on amortised cost financial instruments	70 313	71 873	145 328
Interest income on fair value through profit or loss financial instruments	627 165	704 097	1 446 269
Dividend income	384 760	309 054	646 607
Net fair value gains and losses on financial instruments	3 310 729	365 321	(141 842)
Fair value adjustment to investment contract liabilities	(1 583 828)	(395 783)	(505 539)
Fair value adjustment to third-party liabilities	(2 676 958)	(913 164)	(1 309 620)
Total income	2 550 662	2 516 161	5 057 010
Insurance claims and loss adjustment expenses	(493 467)	(499 718)	(943 290)
Insurance claims and loss adjustment expenses recovered from reinsurers	190 600	172 022	279 958
Net insurance benefits and claims	(302 867)	(327 696)	(663 332)
Commission paid	(790 822)	(774 914)	(1 509 684)
Depreciation and amortisation ¹	(81 069)	(66 031)	(144 067)
Employee benefit expenses	(530 520)	(499 385)	(1 010 402)
Marketing, administration and other expenses	(328 530)	(358 552)	(679 188)
Total expenses	(2 033 808)	(2 026 578)	(4 006 673)
Total loss from joint ventures	(75)	(295)	(420)
Profit before finance costs and taxation	516 779	489 288	1 049 917
Finance costs	(19 924)	(21 792)	(45 303)
Profit before taxation	496 855	467 496	1 004 614
Taxation	(143 453)	(132 021)	(297 053)
Profit for the period	353 402	335 475	707 561
Attributable to:			
Owners of the parent	325 079	310 577	646 957
Non-controlling interest	28 323	24 898	60 604
	353 402	335 475	707 561
Earnings per share (cents)			
Attributable (basic)	24.3	23.2	48.2
Attributable (diluted)	24.3	23.1	48.1
Headline (basic)	24.2	23.2	48.1
Headline (diluted)	24.2	23.1	47.9
Recurring headline (basic)	24.8	23.2	48.1
Recurring headline (diluted)	24.8	23.1	47.9

¹ Includes amortisation cost of R31.3 million (31 Aug 2019: R28.8 million; 29 Feb 2020: R58.2 million).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 31 August and the year ended 29 February 2020

	Unaudited Six months ended 31 Aug 20 R000	Unaudited Six months ended 31 Aug 19 R000	Audited Year ended 29 Feb 20 R000
Profit for the period	353 402	335 475	707 561
Other comprehensive income for the period, net of taxation	17 169	595	10 998
<i>To be reclassified to profit or loss:</i>			
Currency translation adjustments	17 169	595	10 998
Total comprehensive income for the period	370 571	336 070	718 559
Attributable to:			
Owners of the parent	342 248	311 172	657 955
Non-controlling interest	28 323	24 898	60 604
	370 571	336 070	718 559

EARNINGS AND HEADLINE EARNINGS PER SHARE

for the six months ended 31 August and the year ended 29 February 2020

	Unaudited Six months ended 31 Aug 20 R000	Unaudited Six months ended 31 Aug 19 R000	Audited Year ended 29 Feb 20 R000
Headline earnings	324 455	310 634	644 408
Recurring	331 655	310 634	644 408
Non-recurring	(7 200)	—	—
Non-headline items (net of non-controlling interest and related tax effect)			
Profit/(loss) on disposal of intangible assets (including goodwill)	453	(23)	602
Profit on disposal of subsidiaries	—	—	1 558
Other	171	(34)	389
Profit attributable to ordinary shareholders	325 079	310 577	646 957
Earnings per share (cents)			
Attributable (basic)	24.3	23.2	48.2
Attributable (diluted)	24.3	23.1	48.1
Headline (basic)	24.2	23.2	48.1
Headline (diluted)	24.2	23.1	47.9
Recurring headline (basic)	24.8	23.2	48.1
Recurring headline (diluted)	24.8	23.1	47.9
Number of shares (millions)			
In issue (net of treasury shares)	1 335.8	1 339.9	1 338.4
Weighted average (net of treasury shares)	1 338.5	1 339.4	1 340.9

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 August and the year ended 29 February 2020

	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 2019 (Audited)	2 129 572	(230 723)	(360 826)	1 438 696	225 308	3 202 027
Comprehensive income						
Profit for the period	—	—	—	310 577	24 898	335 475
Other comprehensive income for the period	—	—	595	—	—	595
<i>Total comprehensive income for the period</i>	—	—	595	310 577	24 898	336 070
Transactions with owners	24 145	11 046	16 317	(182 236)	(2 080)	(132 808)
Issue of ordinary shares	24 145	—	—	—	—	24 145
Share-based payment costs	—	—	16 317	—	—	16 317
Net movement in treasury shares	—	11 046	—	—	—	11 046
Dividends paid	—	—	—	(182 236)	(2 080)	(184 316)
Balance at 31 August 2019 (Unaudited)	2 153 717	(219 677)	(343 914)	1 567 037	248 126	3 405 289
Comprehensive income						
Profit for the period	—	—	—	336 380	35 706	372 086
Other comprehensive income for the period	—	—	10 403	—	—	10 403
<i>Total comprehensive income for the period</i>	—	—	10 403	336 380	35 706	382 489
Transactions with owners	(84 688)	48 549	(60 808)	(101 144)	(5 185)	(203 276)
Repurchase and cancellation of ordinary shares	(84 688)	—	—	—	—	(84 688)
Share-based payment costs	—	—	9 989	—	—	9 989
Transactions with non-controlling interest	—	—	—	—	(2 262)	(2 262)
Net movement in treasury shares	—	70 404	—	—	—	70 404
Equity-settled share-based payments	—	—	(70 797)	(22 507)	—	(93 304)
Release of profits from treasury shares to retained earnings	—	(21 855)	—	21 855	—	—
Dividends paid	—	—	—	(100 492)	(2 923)	(103 415)
Balance at 29 February 2020 (Audited)	2 069 029	(171 128)	(394 319)	1 802 273	278 647	3 584 502
Comprehensive income						
Profit for the period	—	—	—	325 079	28 323	353 402
Other comprehensive income for the period	—	—	17 169	—	—	17 169
<i>Total comprehensive income for the period</i>	—	—	17 169	325 079	28 323	370 571
Transactions with owners	(28 536)	11 658	19 205	(200 987)	(2 210)	(200 870)
Issue of ordinary shares	36 628	—	—	—	—	36 628
Repurchase and cancellation of ordinary shares	(65 164)	—	—	—	—	(65 164)
Share-based payment costs	—	—	19 205	—	—	19 205
Net movement in treasury shares	—	11 658	—	—	—	11 658
Dividends paid	—	—	—	(200 987)	(2 210)	(203 197)
Balance at 31 August 2020 (Unaudited)	2 040 493	(159 470)	(357 945)	1 926 365	304 760	3 754 203

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended 31 August and the year ended 29 February 2020

Notes	Unaudited Six months ended 31 Aug 20 R000	Unaudited Six months ended 31 Aug 19 R000	Audited Year ended 29 Feb 20 R000
Cash flows from operating activities			
Cash generated by/(utilised in) operations	62 856	(631 928)	(1 256 928)
Interest received	697 478	775 970	1 591 597
Dividends received	384 760	309 054	646 607
Finance costs	(19 924)	(21 792)	(45 303)
Taxation paid	(128 576)	(117 666)	(259 480)
<i>Operating cash flows before policyholder cash movement</i>	996 594	313 638	676 493
Policyholder cash movement	476	(2 004)	22 485
<i>Net cash flow from operating activities</i>	997 070	311 634	698 978
Cash flows from investing activities			
Disposal of subsidiaries (including collective investment schemes)	7.1 (58 100)	—	1 817
Acquisition of intangible assets	(105 205)	(35 793)	(45 394)
Purchases of property and equipment	(7 186)	(32 911)	(47 849)
Proceeds from disposal of intangible assets	4 092	7 844	10 845
Deferred consideration paid for acquisition of businesses	(15 358)	(15 571)	(23 521)
Other	15	42	1 981
<i>Net cash flow from investing activities</i>	(181 742)	(76 389)	(102 121)
Cash flows from financing activities			
Dividends paid	(203 197)	(184 316)	(287 731)
Repayment of borrowings	—	(100 000)	(100 000)
Lease liabilities paid – principal portion	(24 148)	(15 941)	(36 910)
Shares issued	7.2 —	15 326	15 326
Shares purchased and cancelled	(65 164)	—	(13 691)
Treasury shares sold by subsidiary	4 223	100 743	92 057
Purchase of treasury shares	—	(146 293)	(146 322)
Other	—	—	139
<i>Net cash flow from financing activities</i>	(288 286)	(330 481)	(477 132)
Net increase/(decrease) in cash and cash equivalents	527 042	(95 236)	119 725
Cash and cash equivalents at the beginning of the period	1 073 653	945 442	945 442
Exchange gains/(losses) on cash and cash equivalents	15 334	(409)	8 486
Cash and cash equivalents at the end of the period¹	1 616 029	849 797	1 073 653
	31 046	6 081	30 570
	103 369	(1 085 103)	(1 276 792)
	134 415	(1 079 022)	(1 246 222)

¹ Includes the following:

Clients' cash linked to investment contracts
Other client-related balances

Notes to the statement of cash flow:

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 when the money was received from the third-party investment provider, but only paid out by the company after month-end, resulting in significant fluctuations in the working capital of the company. Similar working capital fluctuations occur at PSG Securities Limited, the group's stockbroking business, mainly due to the timing of the close of the JSE in terms of client settlements. Refer to note 5.8 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 2020

1. REPORTING ENTITY

PSG Konsult Limited is a public company domiciled in the Republic of South Africa. The condensed consolidated interim financial statements as at and for the six months ended 31 August 2020 comprise the company and its subsidiaries (together referred to as 'the group') and the group's interest in 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 2020 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 summary 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 Reporting Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 – Interim financial reporting. The condensed consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the group as at and for the year ended 29 February 2020. 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 under the supervision of the chief financial officer, Mike Smith, CA(SA).

Estimates and judgements

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial statements for the year ended 29 February 2020.

3. AUDIT/REVIEW

The condensed consolidated interim financial statements are 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 summary consolidated interim financial statements are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements as at and for the year ended 29 February 2020.

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.

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for the six months ended 31 August 2020

5. SEGMENT INFORMATION (continued)

5.1 Description of business segments (continued)

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

For the six months ended 31 August 2020 (Unaudited)	Wealth R000	Asset Management R000	Insure R000	Total R000
Headline earnings ¹	215 804	47 958	60 693	324 455
– recurring	218 972	49 542	63 141	331 655
– non-recurring	(3 168)	(1 584)	(2 448)	(7 200)
Recurring headline earnings – excluding intangible asset amortisation cost ²	239 211	49 795	73 957	362 963

For the six months ended 31 August 2019 (Unaudited)	Wealth R000	Asset Management R000	Insure R000	Total R000
Headline earnings ¹	175 476	81 064	54 094	310 634
– recurring	175 476	81 064	54 094	310 634
– non-recurring	–	–	–	–
Recurring headline earnings – excluding intangible asset amortisation cost ²	193 034	81 397	65 027	339 458

For the year ended 29 February 2020 (Audited)	Wealth R000	Asset Management R000	Insure R000	Total R000
Headline earnings ¹	376 384	146 420	121 604	644 408
– recurring	376 384	146 420	121 604	644 408
– non-recurring	–	–	–	–
Recurring headline earnings – excluding intangible asset amortisation cost ²	409 739	146 927	142 913	699 579

¹ Headline earnings, calculated in terms of the requirements stipulated in Circular 1/2019 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.

² The intangible asset amortisation cost includes the amortisation on customer relationships. It excludes the amortisation on computer software and other intangible assets.

5. SEGMENT INFORMATION (continued)

5.3 Income per reportable segment

For the six months ended 31 August 2020 (Unaudited)	Wealth R000	Asset Management R000	Insure R000	Total R000
Total IFRS reported income	1 278 705	218 224	1 053 733	2 550 662
Linked investment business and other income	7 667	–	–	7 667
Total core income	1 286 372	218 224	1 053 733	2 558 329
Total segment income	1 588 246	375 398	1 053 733	3 017 377
Intersegment income	(301 874)	(157 174)	–	(459 048)

For the six months ended 31 August 2019 (Unaudited)	Wealth R000	Asset Management R000	Insure R000	Total R000
Total IFRS reported income	1 203 978	277 604	1 034 579	2 516 161
Linked investment business and other income	8 982	–	–	8 982
Total core income	1 212 960	277 604	1 034 579	2 525 143
Total segment income	1 495 757	426 281	1 039 158	2 961 196
Intersegment income	(282 797)	(148 677)	(4 579)	(436 053)

For the year ended 29 February 2020 (Audited)	Wealth R000	Asset Management R000	Insure R000	Total R000
Total IFRS reported income	2 432 425	525 144	2 099 441	5 057 010
Linked investment business and other income	11 859	–	–	11 859
Total core income	2 444 284	525 144	2 099 441	5 068 869
Total segment income	3 200 941	827 744	2 139 181	6 167 866
Intersegment income	(756 657)	(302 600)	(39 740)	(1 098 997)

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

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for the six months ended 31 August 2020

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 2020 (Unaudited)	Wealth R000	Asset Management R000	Insure R000	Total R000
Total income	1 286 372	218 224	1 053 733	2 558 329
Total expenses	(974 576)	(155 463)	(929 745)	(2 059 784)
	311 796	62 761	123 988	498 545
Total loss from joint ventures	–	–	(75)	(75)
Profit before finance costs and taxation	311 796	62 761	123 913	498 470
Finance costs ¹	(13 796)	(2 823)	(3 305)	(19 924)
Profit before taxation	298 000	59 938	120 608	478 546
Taxation	(78 178)	(11 980)	(34 986)	(125 144)
Profit for the period	219 822	47 958	85 622	353 402
Attributable to:				
Owners of the parent	216 171	47 958	60 950	325 079
Non-controlling interest	3 651	–	24 672	28 323
	219 822	47 958	85 622	353 402
Headline earnings	215 804	47 958	60 693	324 455
Recurring headline earnings	218 972	49 542	63 141	331 655

For the six months ended 31 August 2019 (Unaudited)	Wealth R000	Asset Management R000	Insure R000	Total R000
Total income	1 212 960	277 604	1 034 579	2 525 143
Total expenses	(949 602)	(172 929)	(927 029)	(2 049 560)
	263 358	104 675	107 550	475 583
Total loss from joint ventures	–	–	(295)	(295)
Profit before finance costs and taxation	263 358	104 675	107 255	475 288
Finance costs ¹	(17 403)	(1 256)	(1 698)	(20 357)
Profit before taxation	245 955	103 419	105 557	454 931
Taxation	(67 213)	(22 355)	(29 888)	(119 456)
Profit for the period	178 742	81 064	75 669	335 475
Attributable to:				
Owners of the parent	175 508	81 064	54 005	310 577
Non-controlling interest	3 234	–	21 664	24 898
	178 742	81 064	75 669	335 475
Headline earnings	175 476	81 064	54 094	310 634
Recurring headline earnings	175 476	81 064	54 094	310 634

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 R13.8 million (31 Aug 2019: R17.4 million) consist of Rnil (31 Aug 2019: R4.2 million) on the loan funding, with the remaining portion of the finance charge on the CFD margin, lease liabilities and the bank overdrafts.

5. SEGMENT INFORMATION (continued)

5.4 Divisional income statements (continued)

For the year ended 29 February 2020 (Audited)	Wealth R000	Asset Management R000	Insure R000	Total R000
Total income	2 444 284	525 144	2 099 441	5 068 869
Total expenses	(1 881 814)	(332 053)	(1 840 709)	(4 054 576)
	562 470	193 091	258 732	1 014 293
Total loss from joint ventures	–	–	(420)	(420)
Profit before finance costs and taxation	562 470	193 091	258 312	1 013 873
Finance costs ¹	(37 512)	(1 444)	(4 544)	(43 500)
Profit before taxation	524 958	191 647	253 768	970 373
Taxation	(141 882)	(45 216)	(75 714)	(262 812)
Profit for the year	383 076	146 431	178 054	707 561
Attributable to:				
Owners of the parent	376 735	146 431	123 791	646 957
Non-controlling interest	6 341	–	54 263	60 604
	383 076	146 431	178 054	707 561
Headline earnings	376 384	146 420	121 604	644 408
Recurring headline earnings	376 384	146 420	121 604	644 408

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 R37.5 million consist of R4.6 million on the loan funding, with the remaining portion of the finance charge on the CFD margin, lease liabilities and the bank overdrafts.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2020

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 2020 (Unaudited)	Total IFRS reported R000	Own balances R000	Client-related balances R000
ASSETS			
Equity securities	2 367 266	28 159	2 339 107
Debt securities ¹	6 285 130	25 474	6 259 656
Unit-linked investments	54 672 869	1 557 785	53 115 084
Investment in investment contracts	18 292	–	18 292
Receivables including insurance receivables ¹	2 019 468	386 713	1 632 755
Derivative financial instruments	13 574	–	13 574
Cash and cash equivalents (including money market funds) ¹	1 616 029	1 481 614	134 415
Other assets ²	1 992 225	1 992 225	–
Total assets	68 984 853	5 471 970	63 512 883
EQUITY			
Equity attributable to owners of the parent	3 449 443	3 449 443	–
Non-controlling interest	304 760	304 760	–
Total equity	3 754 203	3 754 203	–
LIABILITIES			
Investment contracts	28 188 290	–	28 188 290
Third-party liabilities arising on consolidation of mutual funds ¹	33 607 218	–	33 607 218
Derivative financial instruments	10 341	–	10 341
Trade and other payables ¹	2 412 184	705 150	1 707 034
Other liabilities ³	1 012 617	1 012 617	–
Total liabilities	65 230 650	1 717 767	63 512 883
Total equity and liabilities	68 984 853	5 471 970	63 512 883

¹ The client-related balances include the impact of the consolidation of the PSG Money Market Fund. The cash invested therein was derecognised and all of the fund's underlying highly liquid debt securities, receivables and trade and other payables were recognised. Third-party cash invested in the PSG Money Market Fund is included under third-party liabilities arising on consolidation of mutual funds.

² Other assets consist of property and equipment, right-of-use assets, intangible assets, investment in joint ventures, current and deferred income tax assets, loans and advances, reinsurance assets and deferred acquisition costs.

³ Other liabilities consist of deferred reinsurance acquisition revenue, lease liabilities, 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 31 August 2019 (Unaudited)	Total IFRS reported R000	Own balances R000	Client-related balances R000
ASSETS			
Equity securities	2 386 594	20 106	2 366 488
Debt securities ¹	6 846 129	58 200	6 787 929
Unit-linked investments	49 194 130	678 206	48 515 924
Investment in investment contracts	17 364	–	17 364
Receivables including insurance receivables ¹	2 129 792	349 382	1 780 410
Derivative financial instruments	14 658	–	14 658
Cash and cash equivalents (including money market funds) ¹	849 797	1 928 819	(1 079 022)
Other assets ²	1 888 054	1 888 054	–
Total assets	63 326 518	4 922 767	58 403 751
EQUITY			
Equity attributable to owners of the parent	3 157 163	3 157 163	–
Non-controlling interest	248 126	248 126	–
Total equity	3 405 289	3 405 289	–
LIABILITIES			
Borrowings	494	494	–
Investment contracts	26 574 063	–	26 574 063
Third-party liabilities arising on consolidation of mutual funds ¹	30 055 944	–	30 055 944
Derivative financial instruments	18 356	–	18 356
Trade and other payables ¹	2 330 243	574 855	1 755 388
Other liabilities ³	942 129	942 129	–
Total liabilities	59 921 229	1 517 478	58 403 751
Total equity and liabilities	63 326 518	4 922 767	58 403 751

¹ The client-related balances include the impact of the consolidation of the PSG Money Market Fund. The cash invested therein was derecognised and all of the fund's underlying highly liquid debt securities, receivables and trade and other payables were recognised. Third-party cash invested in the PSG Money Market Fund is included under third-party liabilities arising on consolidation of mutual funds.

² Other assets consist of property and equipment, right-of-use assets, intangible assets, investment in joint ventures, current and deferred income tax assets, loans and advances, reinsurance assets and deferred acquisition costs.

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2020

5. SEGMENT INFORMATION (continued)

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

As at 29 February 2020 (Audited)	Total IFRS reported R000	Own balances R000	Client-related balances R000
ASSETS			
Equity securities	2 229 474	20 173	2 209 301
Debt securities ¹	6 212 400	52 372	6 160 028
Unit-linked investments	50 398 850	677 147	49 721 703
Investment in investment contracts	15 587	–	15 587
Receivables including insurance receivables ¹	2 094 305	353 962	1 740 343
Derivative financial instruments	23 131	–	23 131
Cash and cash equivalents (including money market funds) ¹	1 073 653	2 319 875	(1 246 222)
Other assets ²	1 852 188	1 852 188	–
Total assets	63 899 588	5 275 717	58 623 871
EQUITY			
Equity attributable to owners of the parent	3 305 855	3 305 855	–
Non-controlling interest	278 647	278 647	–
Total equity	3 584 502	3 584 502	–
LIABILITIES			
Investment contracts	26 694 209	–	26 694 209
Third-party liabilities arising on consolidation of mutual funds ¹	30 293 931	–	30 293 931
Derivative financial instruments	30 406	–	30 406
Trade and other payables ¹	2 356 383	751 058	1 605 325
Other liabilities ³	940 157	940 157	–
Total liabilities	60 315 086	1 691 215	58 623 871
Total equity and liabilities	63 899 588	5 275 717	58 623 871

¹ The client-related balances include the impact of the consolidation of the PSG Money Market Fund. The cash invested therein was derecognised and all of the fund's underlying highly liquid debt securities, receivables and trade and other payables were recognised. Third-party cash invested in the PSG Money Market Fund is included under third-party liabilities arising on consolidation of mutual funds.

² Other assets consist of property and equipment, right-of-use assets, intangible assets, investment in joint ventures, current and deferred income tax assets, loans and advances, reinsurance assets and deferred acquisition costs.

³ Other liabilities consist of deferred reinsurance acquisition revenue, lease liabilities, 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 2020 (Unaudited)

	Total IFRS reported R000	Core business R000	Linked investment business and other R000
Revenue from contracts with customers and other operating income ¹	1 878 723	1 926 422	(47 699)
Investment income ²	1 082 238	88 660	993 578
Net fair value gains and losses on financial instruments	3 310 729	3 489	3 307 240
Fair value adjustment to investment contract liabilities	(1 583 828)	–	(1 583 828)
Fair value adjustment to third-party liabilities	(2 676 958)	–	(2 676 958)
Net insurance premium revenue ¹	539 758	539 758	–
Total income	2 550 662	2 558 329	(7 667)
Insurance claims and loss adjustment expenses	(493 467)	(493 467)	–
Other ^{1,3}	(1 540 341)	(1 566 317)	25 976
Total expenses	(2 033 808)	(2 059 784)	25 976
Total loss from joint ventures	(75)	(75)	–
Profit before finance costs and taxation	516 779	498 470	18 309
Finance costs	(19 924)	(19 924)	–
Profit before taxation	496 855	478 546	18 309
Taxation	(143 453)	(125 144)	(18 309)
Profit for the period	353 402	353 402	–
Attributable to:			
Owners of the parent	325 079	325 079	–
Non-controlling interest	28 323	28 323	–
	353 402	353 402	–

¹ 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.

² 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.

³ Other consists of insurance claims and loss adjustment expenses recovered from reinsurers, commission paid, depreciation and amortisation, employee benefit expenses, marketing, administration and other expenses.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2020

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 2019 (Unaudited)			
Revenue from contracts with customers and other operating income ¹	1 855 455	1 894 741	(39 286)
Investment income ²	1 085 024	115 635	969 389
Net fair value gains and losses on financial instruments	365 321	(4 541)	369 862
Fair value adjustment to investment contract liabilities	(395 783)	–	(395 783)
Fair value adjustment to third-party liabilities	(913 164)	–	(913 164)
Net insurance premium revenue	519 308	519 308	–
Total income	2 516 161	2 525 143	(8 982)
Insurance claims and loss adjustment expenses	(499 718)	(499 718)	–
Other ^{1,3}	(1 526 860)	(1 549 842)	22 982
Total expenses	(2 026 578)	(2 049 560)	22 982
Total loss from joint ventures	(295)	(295)	–
Profit before finance costs and taxation	489 288	475 288	14 000
Finance costs	(21 792)	(20 357)	(1 435)
Profit before taxation	467 496	454 931	12 565
Taxation	(132 021)	(119 456)	(12 565)
Profit for the period	335 475	335 475	–
Attributable to:			
Owners of the parent	310 577	310 577	–
Non-controlling interest	24 898	24 898	–
	335 475	335 475	–

¹ 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.

² 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.

³ Other consists of insurance claims and loss adjustment expenses recovered from reinsurers, commission paid, depreciation and amortisation, employee benefit expenses, marketing, administration and other expenses.

5. SEGMENT INFORMATION (continued)

5.6 Income statement (client vs own) (continued)

	Total IFRS reported R000	Core business R000	Linked investment business and other R000
For the year ended 29 February 2020 (Audited)			
Revenue from contracts with customers and other operating income ¹	3 678 801	3 753 354	(74 553)
Investment income ²	2 238 204	234 941	2 003 263
Net fair value gains and losses on financial instruments	(141 842)	(16 432)	(125 410)
Fair value adjustment to investment contract liabilities	(505 539)	–	(505 539)
Fair value adjustment to third-party liabilities	(1 309 620)	–	(1 309 620)
Net insurance premium revenue	1 097 006	1 097 006	–
Total income	5 057 010	5 068 869	(11 859)
Insurance claims and loss adjustment expenses	(943 290)	(943 290)	–
Other ^{1,3}	(3 063 383)	(3 111 286)	47 903
Total expenses	(4 006 673)	(4 054 576)	47 903
Total loss from joint ventures	(420)	(420)	–
Profit before finance costs and taxation	1 049 917	1 013 873	36 044
Finance costs	(45 303)	(43 500)	(1 803)
Profit before taxation	1 004 614	970 373	34 241
Taxation	(297 053)	(262 812)	(34 241)
Profit for the year	707 561	707 561	–
Attributable to:			
Owners of the parent	646 957	646 957	–
Non-controlling interest	60 604	60 604	–
	707 561	707 561	–

¹ 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.

² 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.

³ Other consists of insurance claims and loss adjustment expenses recovered from reinsurers, commission paid, depreciation and amortisation, employee benefit expenses, marketing, administration and other expenses.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2020

5. SEGMENT INFORMATION (continued)

5.7 Revenue from contracts with customers and other operating income

The revenue from contracts with customers and other operating income relating to the core business operations of the group has been disaggregated as follows in accordance with IFRS 15:

	Unaudited Six months ended 31 Aug 20 R000	Unaudited Six months ended 31 Aug 19 R000	Audited Year ended 29 Feb 20 R000
Revenue from contracts with customers			
Brokerage	135 506	109 787	207 258
Commission, administration and other fees ¹	1 134 238	1 085 574	2 169 204
Management and performance fees	528 472	573 334	1 135 033
Policy administration fees	43 085	42 979	86 585
Other operating income			
Reinsurance commission income ¹	67 357	63 994	136 883
Other	17 764	19 073	18 391
	1 926 422	1 894 741	3 753 354

¹ Reinsurance commission income was previously included within 'commission, administration and other fees', however; it is now disclosed as part of 'other operating income'. This change had no impact on the income statement.

5.8 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.

The movement in cash (utilised in)/generated by operations can vary significantly as a result of fluctuations in the receivables and payables relating to our stockbroking business, which have been included within client-related balances.

Included under receivables are broker and clearing accounts at our stockbroking business of which R1 544.4 million (31 Aug 2019: R1 726.5 million; 29 Feb 2020: R1 625.7 million) represents amounts owing by the JSE for trades conducted during the last few days before the end of the period. These balances fluctuate on a daily basis depending on the activity in the market.

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

	Total IFRS reported R000	Own balances R000	Client-related balances R000
For the six months ended 31 August 2020 (Unaudited)			
Cash flows from operating activities	997 070	(441 667)	1 438 737
Cash generated by/(utilised in) operations ¹	62 856	(380 335)	443 191
Interest received	697 478	86 000	611 478
Dividends received	384 760	2 660	382 100
Finance costs	(19 924)	(19 924)	–
Taxation paid	(128 576)	(130 068)	1 492
Policyholder cash movement	476	–	476
Cash flows from investing activities	(181 742)	(123 642)	(58 100)
Disposal of subsidiaries (including collective investment schemes)	(58 100)	–	(58 100)
Other	(123 642)	(123 642)	–
Cash flows from financing activities	(288 286)	(288 286)	–
Net increase/(decrease) in cash and cash equivalents	527 042	(853 595)	1 380 637
Cash and cash equivalents at the beginning of the period	1 073 653	2 319 875	(1 246 222)
Exchange gains on cash and cash equivalents	15 334	15 334	–
Cash and cash equivalents at the end of the period	1 616 029	1 481 614	134 415

¹ The cash utilised in operations under own balances includes R825.0 million excess short-term cash transferred to unit-linked investments that invest mainly in cash, money market and related instruments to enhance investment income yield.

5. SEGMENT INFORMATION (continued)

5.8 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 2019 (Unaudited)			
Cash flows from operating activities	311 634	387 258	(75 624)
Cash (utilised in)/generated by operations	(631 928)	409 625	(1 041 553)
Interest received	775 970	113 648	662 322
Dividends received	309 054	1 987	307 067
Finance costs	(21 792)	(20 357)	(1 435)
Taxation paid	(117 666)	(117 645)	(21)
Policyholder cash movement	(2 004)	–	(2 004)
Cash flows from investing activities	(76 389)	(76 389)	–
Cash flows from financing activities	(330 481)	(230 481)	(100 000)
Repayment of borrowings ¹	(100 000)	–	(100 000)
Other ²	(230 481)	(230 481)	–
Net (decrease)/increase in cash and cash equivalents	(95 236)	80 388	(175 624)
Cash and cash equivalents at the beginning of the period	945 442	1 848 840	(903 398)
Exchange losses on cash and cash equivalents	(409)	(409)	–
Cash and cash equivalents at the end of the period	849 797	1 928 819	(1 079 022)

	Total IFRS reported R000	Own balances R000	Client-related balances R000
For the year ended 29 February 2020 (Audited)			
Cash flows from operating activities	698 978	941 802	(242 824)
Cash (utilised in)/generated by operations	(1 256 928)	1 003 001	(2 259 929)
Interest received	1 591 597	231 240	1 360 357
Dividends received	646 607	3 701	642 906
Finance costs	(45 303)	(43 500)	(1 803)
Taxation paid	(259 480)	(252 640)	(6 840)
Policyholder cash movement	22 485	–	22 485
Cash flows from investing activities	(102 121)	(102 121)	–
Cash flows from financing activities	(477 132)	(377 132)	(100 000)
Repayment of borrowings ¹	(100 000)	–	(100 000)
Other ²	(377 132)	(377 132)	–
Net increase/(decrease) in cash and cash equivalents	119 725	462 549	(342 824)
Cash and cash equivalents at the beginning of the year	945 442	1 848 840	(903 398)
Exchange gains on cash and cash equivalents	8 486	8 486	–
Cash and cash equivalents at the end of the year	1 073 653	2 319 875	(1 246 222)

¹ The repayment of borrowings under client-related balances relates to the redemption of the notes issued under the DMTN programme.

² Other consists of cash flows relating to dividends paid, the principal portion of lease liabilities paid, shares issued, shares repurchased and cancelled, the purchase and sale of treasury shares and other.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2020

6. INVESTMENT CONTRACTS

Investment contracts are represented by the following financial assets:

	Unaudited as at 31 Aug 20 R000	Unaudited as at 31 Aug 19 R000	Audited as at 29 Feb 20 R000
Equity securities	2 254 828	2 249 149	2 096 939
Debt securities	357 315	345 452	370 911
Unit-linked investments	25 526 809	23 956 017	24 180 202
Investments in investment contracts	18 292	17 364	15 587
Cash and cash equivalents	31 046	6 081	30 570
	28 188 290	26 574 063	26 694 209

7. NOTES TO THE STATEMENT OF CASH FLOWS

7.1 Disposal of subsidiaries (including collective investment schemes)

For the six months ended 31 August 2020

The group deconsolidated the PSG Wealth Global Preserver Feeder Fund during the six months ended 31 August 2020 as the group lost control of this fund due to a decrease in the effective interest in the fund. Details of the net assets disposed of are as follows:

	Unaudited 31 Aug 20 R000
Unit-linked investments	1 262 117
Receivables including insurance receivables	757
Cash and cash equivalents (including money market funds)	58 100
Third-party liabilities arising on consolidation of mutual funds	(996 778)
Trade and other payables	(544)
Net asset value	323 652
Transfer to unit-linked investments	(323 652)
Cash consideration received	–
Cash and cash equivalents given up	(58 100)
Net cash outflow for the six months ended 31 August 2020	(58 100)

7.2 Shares issued

The cash flow impact of the shares issued during the respective financial periods can be summarised as follows:

	Unaudited Six months ended 31 Aug 20 R000	Unaudited Six months ended 31 Aug 19 R000	Audited Year ended 29 Feb 20 R000
Issue of ordinary shares	36 628	24 145	24 145
Loss on issue of shares in terms of share scheme	–	(8 819)	(8 819)
Shares issued for asset-for-share transaction	(36 628)	–	–
Cash inflow	–	15 326	15 326

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

7.3 Other acquisitions

For the six months ended 31 August 2020

The group, through its subsidiary PSG Multi Management Proprietary Limited, concluded a portfolio management acquisition transaction with some of its advisers during the reporting period. The purpose of this transaction was to consolidate and align certain client share portfolio research and operational management activities within the firm.

The consideration was paid with the issue of PSG Konsult shares (5 million shares at an average of R7.35 per share) and a cash consideration of R70.6 million on the effective date. The transaction 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.

The transaction did not have a material impact on our headline earnings as it was concluded towards the end of the reporting period.

For the year ended 29 February 2020

The group, through its subsidiary PSG Wealth Financial Planning Proprietary Limited, concluded 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.

A cash consideration of R2.4 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 did not have a material impact on our headline earnings during the year ended 29 February 2020.

8. FINANCIAL RISK MANAGEMENT

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

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

The condensed consolidated interim financial statements do not include all risk management information and disclosure required in the annual financial statements and should be read in conjunction with the group's annual financial statements as at 29 February 2020.

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 is valued at fair value and are therefore susceptible to market fluctuations.

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

Included in the equity securities of R2 367.3 million (31 Aug 2019: R2 386.6 million; 29 Feb 2020: R2 229.5 million) are quoted equity securities of R2 358.1 million (31 Aug 2019: R2 386.4 million; 29 Feb 2020: R2 219.3 million), of which R2 254.8 million (31 Aug 2019: R2 249.1 million; 29 Feb 2020: R2 096.9 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 R25 526.8 million (31 Aug 2019: R23 956.0 million; 29 Feb 2020: R24 180.2 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 R357.3 million (31 Aug 2019: R345.5 million; 29 Feb 2020: R370.9 million) and do not expose the group to interest rate risk. Cash and cash equivalents linked to policyholder investments amounted to R31.0 million (31 Aug 2019: R6.1 million; 29 Feb 2020: R30.6 million) and do not expose the group to interest rate risk.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2020

8. FINANCIAL RISK MANAGEMENT (continued)

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.

The table below analyses financial assets and liabilities, which are carried at fair value, by valuation method. There were no significant changes in the valuation techniques and assumptions applied since 29 February 2020.

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 – prices are publicly available

8. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

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

As at 31 August 2020 (Unaudited)	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
Financial assets				
Derivative financial instruments	–	13 574	–	13 574
Equity securities	2 358 057	–	9 209	2 367 266
Debt securities	1 491 417	4 793 713	–	6 285 130
Unit-linked investments	–	54 228 656	444 213	54 672 869
Investment in investment contracts	–	18 292	–	18 292
	3 849 474	59 054 235	453 422	63 357 131
Own balances	27 162	2 223 432	27 142	2 277 736
Client-related balances	3 822 312	56 830 803	426 280	61 079 395
Financial liabilities				
Derivative financial instruments	–	10 341	–	10 341
Investment contracts	–	27 762 010	426 280	28 188 290
Trade and other payables	–	–	44 933	44 933
Third-party liabilities arising on consolidation of mutual funds	–	33 607 218	–	33 607 218
	–	61 379 569	471 213	61 850 782
Own balances	–	–	44 933	44 933
Client-related balances	–	61 379 569	426 280	61 805 849

As at 31 August 2019 (Unaudited)	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
Financial assets				
Derivative financial instruments	–	14 658	–	14 658
Equity securities	2 386 354	–	240	2 386 594
Debt securities	828 535	5 986 211	–	6 814 746
Unit-linked investments	–	48 807 614	386 516	49 194 130
Investment in investment contracts	–	17 364	–	17 364
	3 214 889	54 825 847	386 756	58 427 492
Own balances	19 866	2 031 810	19 970	2 071 646
Client-related balances	3 195 023	52 794 037	366 786	56 355 846
Financial liabilities				
Derivative financial instruments	–	18 356	–	18 356
Investment contracts	–	26 180 131	366 786	26 546 917
Trade and other payables	–	–	62 431	62 431
Third-party liabilities arising on consolidation of mutual funds	–	30 055 944	–	30 055 944
	–	56 254 431	429 217	56 683 648
Own balances	–	–	62 431	62 431
Client-related balances	–	56 254 431	366 786	56 621 217

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

for the six months ended 31 August 2020

8. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

As at 29 February 2020 (Audited)	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
Financial assets				
Derivative financial instruments	–	23 131	–	23 131
Equity securities	2 219 347	–	10 127	2 229 474
Debt securities	866 827	5 345 573	–	6 212 400
Unit-linked investments	–	50 099 132	299 718	50 398 850
Investment in investment contracts	–	15 587	–	15 587
	3 086 174	55 483 423	309 845	58 879 442
Own balances	18 853	2 250 019	27 465	2 296 337
Client-related balances	3 067 321	53 233 404	282 380	56 583 105
Financial liabilities				
Derivative financial instruments	–	30 406	–	30 406
Investment contracts	–	26 411 829	282 380	26 694 209
Trade and other payables	–	–	59 185	59 185
Third-party liabilities arising on consolidation of mutual funds	–	30 293 931	–	30 293 931
	–	56 736 166	341 565	57 077 731
Own balances	–	–	59 185	59 185
Client-related balances	–	56 736 166	282 380	57 018 546

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

	Unaudited 31 Aug 20 R000	Unaudited 31 Aug 19 R000	Audited 29 Feb 20 R000
Assets			
Opening carrying value	309 845	455 099	455 099
Additions	188 808	46 281	121 445
Disposals	(56 663)	(134 750)	(306 234)
Gains recognised in profit or loss ¹	11 432	20 126	39 535
Closing carrying value	453 422	386 756	309 845
Liabilities			
Opening carrying value	341 565	526 784	526 784
Additions	203 473	55 353	153 934
Settlements	(83 077)	(173 046)	(377 146)
Losses recognised in profit or loss ²	9 252	20 126	37 993
Closing carrying value	471 213	429 217	341 565

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 predominantly 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.

8. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

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. These relate to the purchase of intangibles and as such any change in measurement would result in a similar adjustment to the intangible assets with the exception of those acquired in terms of business combinations. Therefore the group's overall profit or loss is not materially sensitive to changes in the inputs.

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 20 R000	Unaudited 31 Aug 19 R000	Audited 29 Feb 20 R000
Assets			
Debt securities			
– Carrying value	–	31 383	–
– Fair value	–	30 755	–
Liabilities			
Investment contracts			
– Carrying value	–	27 146	–
– Fair value	–	26 604	–

The debt securities shown in the table above, which were linked to investment contracts, matured during the prior financial year. The fair value of the financial assets and liabilities disclosed in the prior financial year were categorised as level 3.

9. RELATED-PARTY TRANSACTIONS

Related-party transactions similar to those disclosed in the group's annual financial statements for the year ended 29 February 2020 took place during the period under review.

10. EVENTS AFTER THE REPORTING DATE

The group signed a binding offer for the disposal of Western's short- and long-term insurance businesses in Botswana during September 2020. The sale is anticipated to be completed by 28 February 2021, with the proceeds on sale expected to approximate the current carrying value of the businesses.

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

CORPORATE INFORMATION

Non-executive directors

W Theron (Chairman)
PJ Mouton
J de V du Toit[^]
PE Burton^{*}
ZL Combi^{*}
ZRP Matsau^{*}
TC Isaacs^{*}
AH Sangqu^{*}
([^] *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
SEM share code: PSGK.N0000
ISIN code: ZAE000191417
LEI: 378900ECF3D86FD28194

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)
Stock Exchange of Mauritius (SEM)

Transfer secretary

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

Private Bag X9000
Saxonwold
2132

Sponsors

JSE sponsor: PSG Capital Proprietary Limited
Independent Joint JSE sponsor: UBS South Africa Proprietary Limited
NSX sponsor: PSG Wealth Management (Namibia) Proprietary Limited
SEM authorised representative and SEM sponsor: Perigeum Capital Ltd

Auditor

PricewaterhouseCoopers Inc.
Cape Town

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