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

REVIEWED PRELIMINARY RESULTS FOR THE YEAR ENDED 28 FEBRUARY 2019

SALIENT FEATURES

Recurring headline earnings per share up 4% to 44.6 cents
Gross written premium (1) up 36% to R4 498m
Number of advisers up 19% to 932
Total assets under management up 8% to R222bn
Dividend per share up 14% to 20.5 cents
Total assets under administration (2) up 5% to R422bn

(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 R118bn.

COMMENTARY

Overview

PSG Konsult increased recurring headline earnings per share by 4% and achieved a commendable return on equity of 21.5%.

The group achieved these results against a backdrop of challenging operating conditions, which included a weak economy, subdued consumer sentiment and negative returns on local equity markets and currency volatility. The performance of our key operating and financial metrics under these conditions demonstrates our competitive advantage and the resilience of our business model. Total assets under management increased by 8% to R222 billion, comprising assets managed by PSG Wealth of R175 billion (7% increase) and PSG Asset Management of R47 billion (11% increase), while PSG Insure's gross written premium amounted to R4.5 billion (36% increase). The decline of 4% in the current year of the JSE/FTSE All Share Index, compared to a positive return of 14% in the previous financial year, had a pronounced impact on performance fees, investment income earned on shareholder assets and overall fee income growth. Performance fees earned constituted only 2.9% of headline earnings in comparison to 8.6% in the previous financial year.

We continue to invest in our business given our confidence in its long-term growth prospects. Specifically, investment in technology resulted in a 29% increase in related costs, while personnel costs also increased markedly from the previous year mainly due to an increase in technology staff hires and 68 newly qualified graduates (88% of which are ACI candidates). The graduates we hired are part of our continued strategy to build our own talent. PSG Insure fully expensed upfront costs incurred in setting up the required office infrastructure to facilitate the acquisition of the Absa Insurance and Financial Advisers (AIFA) businesses, and also expensed initial costs incurred in setting up a new business operation in Botswana, which is expected to break even during the new financial year.

PSG Konsult's key financial performance indicators for the financial year ended 28 February 2019 are shown below:

	28 Feb 19 R000	Change %	28 Feb 18 R000
Core income	4 603 577	10	4 200 308
Recurring headline earnings	591 099	4	566 396
Non-recurring items (1)	12 789		-
Headline earnings	603 888	7	566 396

Non-headline items	(1 714)		80
Earnings attributable to ordinary shareholders	602 174	6	566 476
Divisional recurring headline earnings			
PSG Wealth	338 594	0	339 129
PSG Asset Management	167 279	7	155 825
PSG Insure	85 226	19	71 442
	591 099	4	566 396
Weighted average number of shares in issue (net of treasury shares) (millions)	1 325.1	1	1 317.6
Earnings per share (basic) (cents)			
- Recurring headline	44.6	4	43.0
- Headline	45.6	6	43.0
- Attributable	45.4	6	43.0
- Recurring headline - excluding intangible asset amortisation cost	48.4	5	46.4
Dividend per share (cents)	20.5	14	18.0
Return on equity (ROE) (%)	21.5		24.3

(1) The non-recurring items relate mainly to a profit that was recognised by PSG Wealth in the current year following the maturity of certain financial instruments linked to legacy investment contracts which, due to credit risk uncertainty, was not previously recognised. In addition, PSG Insure recognised an impairment loss on a premium debt exposure to a third-party premium-collection agency.

PSG Wealth

PSG Wealth's recurring headline earnings were flat. We are satisfied with this result in the context of poor market conditions. Overall revenue was up 5%, which included a 9% increase in management and other recurring fee income, but an 18% decrease in brokerage fees during the year under review. Cost increases were greater than revenue growth due to our continued investment in enhancing our IT systems and platforms, aligned with our aim of providing competitive products and seamless client service. Clients' assets managed by our Wealth advisers increased by 7% to R175 billion during the year under review, which included R10 billion of positive net inflows.

We remain confident about the fundamentals and prospects of this division and believe that our commitment to securing long-term relationships with clients will continue to differentiate us in the markets in which we compete. The division's formidable financial adviser network consisted of 546 wealth advisers as at 28 February 2019 and continues to add credibility to the growing brand equity. We continue to focus on client engagement, including via digital platforms, and gaining market share.

PSG Asset Management

PSG Asset Management's recurring headline earnings increased by 7%, despite a 64% decline in performance fees earned in the current year. The division's excellent long-term track record of delivering top-quartile risk-adjusted investment returns for our clients continues to deliver high-quality recurring earnings, even under difficult market conditions. The team's ability to consistently generate alpha across asset classes for clients over the appropriate investment horizon remains intact. Client assets under management increased by 11% to R47 billion, during the year under review. This included R6 billion of single-manager positive net client inflows, predominantly into our higher margin funds, with the majority coming from our retail target market. PSG Asset Management continues to be recognised as an industry leader and was again voted by Morningstar as one of the top two South African fund houses. Assets administered by the management company (manco) increased by 14% to R118 billion, having been further bolstered by R6 billion of multi-managed net inflows. Margins in this area of the business continue to improve, as we are starting to benefit from economies of scale.

PSG Insure

PSG Insure's recurring headline earnings grew by a commendable 19%. The group is satisfied with the division's performance and believes that the costs incurred in the current year to fund growth initiatives will ensure continued growth. This division continues to gain market share in the highly competitive short-term insurance market and is starting to achieve economies of scale benefits. The division achieved gross written premium growth of 36% as we continue to focus our efforts on growing the commercial lines' side of the business which requires specialist adviser expertise. Western Group's comprehensive reinsurance programme reduced the adverse impact of certain catastrophe events that occurred during the second half of the year. This, when combined with our quality underwriting practices, allowed us to achieve an improved net underwriting margin of 8.9% compared to the 8.3% achieved in the prior year.

The insurance advisers increased by 58% to 386, mainly due to the acquisition of the Absa Insurance and Financial Advisers businesses. Following the completion of the commercial and industrial brokerage business acquisition effective 1 June 2018, the division acquired the remaining short-term face-to-face advisory insurance brokerage business, effective 1 December 2018. These two transactions enhanced PSG Insure's footprint across South Africa and is already contributing to the group's profitability.

The Western Group's short- and long-term insurance licenses in Botswana were approved during July 2018 and the business is performing in line with expectations. PSG Insure received top honours at the 2019 Old Mutual Insure Awards and was named overall winner as Top National Broker.

Strategy

PSG Wealth's overall strategy offers an innovative and holistic end-to-end client proposition. Uncertain markets trigger emotional decisions, so lasting solutions require expert guidance from advisers who understand the big picture. Advisers play a key role in providing us with client feedback to enhance our platform capabilities and product suite. 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 initiatives, enhancing client experience and transactional processing capabilities. Our Wealth business is well placed to meet all the investment needs of our clients and consistently strives to improve both our client and service offerings.

PSG Asset Management's strategy consists of delivering 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. The division will continue to prioritise the investment team's performance, while managing operational risks and processes, and talent management. Increasing brand awareness and regular client communication continues to be a key focus area for the marketing team, allowing the division to benefit from a growing investor base.

PSG Insure provides simple and cost-effective short-term insurance solutions to clients, protecting them from unforeseen events. Building critical expertise across underwriting, administration and adviser teams underpins the focus on providing value-added products that meet and exceed clients' expectations. The division continues to invest in its administration platform and staff to optimise claims administration, product underwriting and client services. This allows the division to unlock operational efficiencies while freeing up valuable time for our top-calibre advisers to focus on client relationships. The entrepreneurial best-of-breed partnership model in place with our advisers allows our advisers to manage their own businesses 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, sustainable and scalable business is a key priority for the board. As such, management pays careful attention to the group's cost to income metrics as each division expands. The management team is committed to continue to invest in technology as a key enabler to achieve operational efficiencies, automation, enhanced client experience and, ultimately, sustainable growth.

Recognition, awards and achievements

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

PSG Wealth
- Ranked third in the 2018 Intellidex Wealth Manager of the Year awards; up from fourth in 2017. PSG Wealth won the category for Successful Entrepreneur

PSG Asset Management
- Raging Bull Awards
  - South African Management Company of the Year: second place
  - Best South African Multi-Asset Flexible Fund on a Risk-Adjusted Basis (measuring risk-adjusted performance over five years): third place (PSG Flexible Fund)
- Morningstar Awards
  - Finalist, Best Fund House: Larger Fund Range
  - Finalist, Best Flexible Allocation Fund (PSG Flexible Fund)

PSG Insure

- Received top honours at the 2019 Old Mutual Insure Awards and was named overall winner as Top National Broker
- PSG Insure Meesterplan won Diamond Broker of the Year for a second time at the CIB Broker Awards in November 2018

Corporate activity

PSG Insure concluded an agreement to acquire the remaining 40% shareholding in the Western Group's Namibian entities, held by Santam, effective 1 November 2018. Post this transaction, Western Namibia and Western Botswana are wholly owned.

We again concluded a few smaller earnings accretive acquisitions to strengthen our organic growth strategy. These transactions were funded from existing cash resources and will be seamlessly integrated into PSG Konsult's existing business operations to positively contribute to the organic growth of the firm.

PSG Konsult also completed a secondary listing on the Stock Exchange of Mauritius (SEM) on 27 November 2018. The SEM is regarded as one of the foremost exchanges in Africa and is a fully-fledged member of the World Federation of Exchanges. PSG Konsult will retain its primary listing on the Main Board of the JSE Limited, as well as its existing secondary listing on the Namibian Stock Exchange.

Capital management

PSG Konsult is strongly capitalised and complies with the capital requirements of Solvency Assessment and Management (SAM). We have minimal interest-bearing debt and a Solvency Capital Requirement (SCR) ratio of 1.82 based on the latest insurance group return. Our strong financial position was also 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.

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 254 adviser offices and 2 886 employees as at 28 February 2019, which included 932 wealth and insure advisers. A further 417 were professional associates (accountants and attorneys). During the year under review, the number of PSG advisers increased by 148 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 (17 in South Africa and 7 in foreign jurisdictions), continues to foster good relationships with our regulators.

Marketing

Marketing initiatives are important to the group's goal of becoming a leader in the financial services industry. During the period under review, the specialist marketing team 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 focus on enhancing our digital capability and bringing best-of-breed technology platforms and services to our clients. We strive to delight our clients by approaching everything we do with great client experience and ideal journeys at the forefront of our development. We will continue to drive excellence through simple, scalable, stable and secure solutions.

Looking forward

We continue to monitor the corporate, political and economic situation, both locally and globally, and the associated impact on our clients and other stakeholders.

The cash-generative nature of the business gives PSG Konsult several options for funding business growth initiatives and optimising risk-adjusted returns for our shareholders. As such, the group remains confident about the prospects for continued growth. The group will continue to prioritise organic growth in our selected markets where we have a relatively low, but rapidly expanding market share.

The group will continue to focus on initiatives that enable us to service clients in an integrated manner that is seamless and market-leading. The group's focus on products, platforms, client service excellence and the quality of its advice process remains a key initiative.

Events after reporting date

No material events have taken place since the reporting date.

Dividend

Given the solid performance of the group, the board decided to approve and declare a 10% increase in the final gross dividend of 13.5 cents per share (2018: 12.3 cents per share) from income reserves for the year ended 28 February 2019. This brings the full-year increase in the total dividend to 14%. The group's strong cash flow generation supports the current dividend increase, with this year's dividend payout ratio of 45% at the midpoint of the 40% to 50% dividend policy range that was 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 10.8 cents per share. The number of issued ordinary shares is 1 364 885 118 at the date of this declaration. PSG Konsult's income tax reference number is 9550/644/07/5.

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

Last day to trade (cum dividend)	Monday, 6 May 2019
Trading ex dividend commences	Tuesday, 7 May 2019
Record date	Friday, 10 May 2019
Date of payment	Monday, 13 May 2019

Share certificates may not be dematerialised or rematerialised between Tuesday, 7 May 2019, and Friday, 10 May 2019, both days included.

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

This announcement is issued pursuant to the JSE Listings Requirements, the SEM Listing Rules and the Mauritian Securities Act 2005.

On behalf of the board

Willem Theron	Francois Gouws
Chairman	Chief executive officer

Tyger Valley
17 April 2019

FINANCIAL RESULTS

Condensed consolidated statement of financial position
as at 28 February 2019

	Notes	Reviewed as at 28 Feb 19 R000	Audited as at 28 Feb 18 R000
ASSETS			
Intangible assets		1 178 249	1 027 805
Property and equipment		67 244	74 286
Investment in joint ventures		1 525	1 094
Deferred income tax assets		101 091	102 091
Equity securities		2 353 387	2 321 482
Debt securities		6 262 071	2 582 815
Unit-linked investments		46 488 080	42 196 090
Investment in investment contracts		16 048	14 798
Loans and advances		128 995	134 202
Derivative financial instruments		10 592	8 854
Reinsurance assets		103 758	80 544
Deferred acquisition costs		5 685	4 820
Receivables including insurance receivables		1 690 828	1 904 775
Current income tax assets		21 167	39 089
Cash and cash equivalents (including money market funds) (1)		945 442	1 920 626
Total assets		59 374 162	52 413 371
EQUITY			
Equity attributable to owners of the parent			
Stated capital		2 129 572	1 908 804
Treasury shares		(230 723)	(192 247)
Other reserves		(360 826)	(386 722)
Retained earnings		1 451 251	1 175 226
		2 989 274	2 505 061
Non-controlling interest		225 308	235 654
Total equity		3 214 582	2 740 715
LIABILITIES			
Insurance contracts		542 086	542 709
Deferred income tax liabilities		47 702	18 894
Borrowings		112 314	103 695
Derivative financial instruments		13 973	16 857
Investment contracts	7	25 932 120	24 278 949
Third-party liabilities arising on consolidation of mutual funds		27 350 796	22 585 256
Deferred reinsurance acquisition revenue		4 904	3 681
Trade and other payables		2 153 524	2 116 527
Current income tax liabilities		2 161	6 088
Total liabilities		56 159 580	49 672 656
Total equity and liabilities		59 374 162	52 413 371
Net asset value per share (cents)		223.6	190.1

(1) The decrease in cash and cash equivalents is attributable to the consolidation of the PSG Money Market Fund. Refer to notes 6.5 and 9.1 for further details.

Condensed consolidated income statement
for the year ended 28 February 2019

	Reviewed Year ended 28 Feb 19 R000	Audited Year ended 28 Feb 18 R000
Gross written premium	1 256 763	1 181 333
Less: Reinsurance written premium	(355 297)	(296 740)
Net written premium	901 466	884 593
Change in unearned premium		
- Gross	32 436	28 477
- Reinsurers' share	2 859	(4 033)
Net insurance premium revenue	936 761	909 037
Revenue from contracts with customers (1)	3 350 590	-
Commission and other fee income (1)	-	2 880 635
Interest income on amortised cost financial instruments (2)	147 696	197 328
Interest income on fair value through profit or loss financial instruments (2)	1 256 793	1 006 048
Dividend income (2)	479 981	423 476
Net fair value gains and losses on financial instruments	646 786	2 053 793
Fair value adjustment to investment contract liabilities	(1 061 253)	(1 654 563)
Fair value adjustment to third-party liabilities	(1 196 594)	(1 722 789)
Other operating income (1)	10 573	110 675
Total income	4 571 333	4 203 640
Insurance claims and loss adjustment expenses	(803 746)	(816 429)
Insurance claims and loss adjustment expenses recovered from reinsurers	221 752	187 368
Net insurance benefits and claims	(581 994)	(629 061)
Commission paid	(1 367 697)	(1 199 447)
Depreciation and amortisation (3)	(81 799)	(69 725)
Employee benefit expenses	(950 471)	(825 668)
Marketing, administration and other expenses	(643 783)	(571 842)
Total expenses	(3 625 744)	(3 295 743)
Total profit/(loss) from joint ventures	431	(84)
Profit before finance costs and taxation	946 020	907 813
Finance costs	(34 297)	(38 941)
Profit before taxation	911 723	868 872
Taxation	(269 179)	(256 221)
Profit for the year	642 544	612 651
Attributable to:		
Owners of the parent	602 174	566 476
Non-controlling interest	40 370	46 175
	642 544	612 651
Earnings per share (cents)		
Attributable (basic)	45.4	43.0
Attributable (diluted)	45.0	42.6
Headline (basic)	45.6	43.0
Headline (diluted)	45.2	42.6
Recurring headline (basic)	44.6	43.0
Recurring headline (diluted)	44.4	42.6

(1) Due to the adoption of IFRS 15 - Revenue from contracts with customers, income included within commission and other fee income and other operating income in the 2018 financial year has now been included within revenue from contracts with customers in the 2019

financial year.

(2) Interest income on amortised cost financial instruments, interest income on fair value through profit or loss financial instruments and dividend income have been separately presented as a result of the amendment to IAS 1.

(3) Includes amortisation cost of R52.4 million (2018: R45.6 million).

Condensed consolidated statement of comprehensive income
for the year ended 28 February 2019

	Reviewed Year ended 28 Feb 19 R000	Audited Year ended 28 Feb 18 R000
Profit for the year	642 544	612 651
Other comprehensive income for the year, net of taxation	11 524	(1 851)
Items that are or may be reclassified to profit or loss:		
Currency translation adjustments	11 663	(1 851)
Recycling adjustment on foreign subsidiaries sold	(139)	-
Total comprehensive income for the year	654 068	610 800
Attributable to:		
Owners of the parent	613 698	564 625
Non-controlling interest	40 370	46 175
	654 068	610 800

Earnings and headline earnings per share
for the year ended 28 February 2019

	Reviewed Year ended 28 Feb 19 R000	Audited Year ended 28 Feb 18 R000
Headline earnings	603 888	566 396
Recurring	591 099	566 396
Non-recurring	12 789	-
Non-headline items (net of non-controlling interest and related tax effect)		
Loss on disposal of intangible assets (including goodwill)	(2 626)	(148)
Other	912	228
Profit attributable to ordinary shareholders	602 174	566 476
Earnings per share (cents)		
Attributable (basic)	45.4	43.0
Attributable (diluted)	45.0	42.6
Headline (basic)	45.6	43.0
Headline (diluted)	45.2	42.6
Recurring headline (basic)	44.6	43.0
Recurring headline (diluted)	44.4	42.6
Number of shares (millions)		
In issue (net of treasury shares)	1 336.7	1 317.5
Weighted average (net of treasury shares)	1 325.1	1 317.6

Condensed consolidated statement of changes in equity
for the year ended 28 February 2019

	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 2017 (Audited)	1 749 505	(59 206)	(399 700)	862 689	197 212	2 350 500
Comprehensive income						
Profit for the year	-	-	-	566 476	46 175	612 651
Other comprehensive income for the year	-	-	(1 851)	-	-	(1 851)
Total comprehensive income for the year	-	-	(1 851)	566 476	46 175	610 800
Transactions with owners	159 299	(133 041)	14 829	(253 939)	(7 733)	(220 585)
Issue of ordinary shares	159 299	-	-	-	-	159 299
Share-based payment costs	-	-	36 079	-	-	36 079
Capital contribution by non-controlling interest	-	-	-	-	432	432
Net movement in treasury shares	-	(126 788)	-	-	-	(126 788)
Current tax on equity-settled share-based payments	-	-	16 404	-	-	16 404
Deferred tax on equity-settled share-based payments	-	-	(5 089)	-	-	(5 089)
Loss on issue of shares in terms of share scheme	-	-	(83 673)	-	-	(83 673)
Release of share-based payment reserve to retained earnings on vested share options	-	-	51 108	(51 108)	-	-
Release of profits from treasury shares to retained earnings	-	(6 253)	-	6 253	-	-
Dividends paid	-	-	-	(209 084)	(8 165)	(217 249)
Balance at 28 February 2018 (Audited)	1 908 804	(192 247)	(386 722)	1 175 226	235 654	2 740 715
Comprehensive income						
Profit for the year	-	-	-	602 174	40 370	642 544
Other comprehensive income for the year	-	-	11 524	-	-	11 524
Total comprehensive income for the year	-	-	11 524	602 174	40 370	654 068
Transactions with owners	220 768	(38 476)	14 372	(326 149)	(50 716)	(180 201)
Issue of ordinary shares	220 768	-	-	-	-	220 768
Share-based payment costs	-	-	39 538	-	-	39 538
Transactions with non-controlling interest	-	-	-	(13 315)	(43 548)	(56 863)
Net movement in treasury shares	-	(36 023)	-	-	-	(36 023)
Current tax on equity-settled share-based payments	-	-	20 845	-	-	20 845
Deferred tax on equity-settled share-based payments	-	-	3 372	-	-	3 372
Loss on issue of shares in terms of share scheme	-	-	(108 849)	-	-	(108 849)
Release of share-based payment reserve to retained earnings on vested share options	-	-	59 466	(59 466)	-	-
Release of profits from treasury shares to retained earnings	-	(2 453)	-	2 453	-	-
Dividends paid	-	-	-	(255 821)	(7 168)	(262 989)
Balance at 28 February 2019 (Reviewed)	2 129 572	(230 723)	(360 826)	1 451 251	225 308	3 214 582

Condensed consolidated statement of cash flows
for the year ended 28 February 2019

	Reviewed Year ended 28 Feb 19 R000	Audited Year ended 28 Feb 18 R000
Cash flows from operating activities		
Cash utilised in operations	(1 016 172)	(487 401)
Interest income	1 404 489	1 203 376
Dividend income	479 981	423 476
Finance costs	(34 297)	(23 105)
Taxation paid	(222 391)	(276 860)
Operating cash flows before policyholder cash movement	611 610	839 486
Policyholder cash movement	7 111	(13 238)
Net cash flow from operating activities	618 721	826 248
Cash flows from investing activities		
Acquisition of subsidiaries (including collective investment schemes)	(1 226 304)	-
Acquisition of intangible assets	(94 672)	(68 497)
Purchases of property and equipment	(23 527)	(45 321)
Disposal of subsidiaries (including collective investment schemes)	(32 100)	-
Proceeds from disposal of assets and liabilities held for sale	7 169	-
Proceeds from disposal of intangible assets	9 322	929
Other	41	(69)
Net cash flow from investing activities	(1 360 071)	(112 958)
Cash flows from financing activities		
Dividends paid	(262 989)	(217 249)
(Acquisition from)/contribution by non-controlling interest	(54 011)	432
Increase in borrowings	-	100 000
Repayment of borrowings	(742)	(3 612)
Shares issued	111 920	70 339
Holding company's treasury shares sold by subsidiary	198 245	172 170
Purchase of holding company's treasury shares	(234 268)	(298 958)
Net cash flow from financing activities	(241 845)	(176 878)
Net (decrease)/increase in cash and cash equivalents	(983 195)	536 412
Cash and cash equivalents at beginning of the year	1 920 626	1 385 542
Exchange gains/(losses) on cash and cash equivalents	8 011	(1 328)
Cash and cash equivalents at end of the year (1)	945 442	1 920 626
(1) Includes the following:		
Clients' cash linked to investment contracts	8 085	974
Other client-related balances	(911 483)	353 759
	(903 398)	354 733

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

in terms of client settlements. Refer to note 6.7 for the impact of the client-related balances on the cash flows from operating activities.

Notes to the condensed consolidated financial statements
for the year ended 28 February 2019

1. Reporting entity

PSG Konsult Limited is a public company domiciled in the Republic of South Africa. The condensed consolidated financial statements of the company as at and for the year ended 28 February 2019 comprise the company and its subsidiaries (together referred to as the 'group') and the group's interest in joint ventures.

2. Basis of preparation

The condensed consolidated financial statements are prepared in accordance with the JSE Limited Listings Requirements for preliminary reports and the requirements of the Companies Act of South Africa. The Listings Requirements require preliminary reports 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.

3. Preparation

The condensed consolidated preliminary financial statements are the responsibility of the board of directors of the company and were prepared under the supervision of the chief financial officer, Mike Smith, CA(SA). These condensed consolidated preliminary financial statements for the year ended 28 February 2019 have been reviewed by PricewaterhouseCoopers Inc., who expressed an unmodified review conclusion. A copy of the auditor’s review report is available for inspection at PSG Konsult’s registered office together with the financial statements identified in the auditor’s report. The auditor's report does not necessarily report on all of the information contained in this announcement. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement they should obtain a copy of the auditor's report together with the accompanying financial information from PSG Konsult's registered office. Any reference to future financial performance included in these condensed consolidated preliminary financial statements has not been reviewed by or reported on by the company's auditor.

4. Accounting policies

The accounting policies applied in the preparation of these condensed consolidated financial statements are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements as at and for the year ended 28 February 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 14 for further detail.

5. Use of estimates and judgements

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial statements for the year ended 28 February 2018.

6. Segment information

The composition of the reportable segments represents the internal reporting structure and the monthly reporting to the chief operating decision-maker (CODM). The CODM, for the purpose of IFRS 8 - Operating segments, has been identified as the chief executive officer, supported by the group management committee (Manco). The group's internal reporting structure is reviewed in order to assess performance and allocate resources. The group is organised into three reportable segments, namely:
- PSG Wealth - deriving income mainly from total managed assets and total platform assets
- PSG Asset Management - deriving income mainly from total assets under management and administration
- PSG Insure - deriving income mainly from written premiums and underwriting

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

6.1 Description of business segments

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

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

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

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

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

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

6.2 Headline earnings per reportable segment

For the year ended 28 February 2019 (Reviewed)	Wealth R000	Asset Management R000	Insure R000	Total R000
Headline earnings (1)	355 228	167 279	81 381	603 888
- recurring	338 594	167 279	85 226	591 099
- non-recurring	16 634	-	(3 845)	12 789
Recurring headline earnings - excluding intangible asset amortisation cost (2)	370 172	167 786	103 370	641 328

For the year ended 28 February 2018 (Audited)	Wealth R000	Asset Management R000	Insure R000	Total R000
Headline earnings (1)	339 129	155 825	71 442	566 396
- recurring	339 129	155 825	71 442	566 396
- non-recurring	-	-	-	-
Recurring headline earnings - excluding intangible asset amortisation cost (2)	367 500	156 332	86 197	610 029

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

6.3 Income per reportable segment

For the year ended 28 February 2019 (Reviewed)	Wealth R000	Asset Management R000	Insure R000	Total R000
Total IFRS reported income	2 245 411	562 264	1 763 658	4 571 333
Linked investment business and other income	32 244	-	-	32 244
Total core income	2 277 655	562 264	1 763 658	4 603 577
Total segment income	3 013 329	850 375	1 818 958	5 682 662
Intersegment income	(735 674)	(288 111)	(55 300)	(1 079 085)

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.

6.4 Divisional income statement

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

For the year ended 28 February 2019 (Reviewed)	Wealth R000	Asset Management R000	Insure R000	Total R000
Total income	2 277 655	562 264	1 763 658	4 603 577
Total expenses	(1 742 373)	(338 509)	(1 601 460)	(3 682 342)
	535 282	223 755	162 198	921 235
Total profit from joint ventures	-	-	431	431
Profit before finance costs and taxation	535 282	223 755	162 629	921 666
Finance costs (1)	(22 132)	(300)	(12)	(22 444)
Profit before taxation	513 150	223 455	162 617	899 222
Taxation	(151 651)	(56 197)	(48 830)	(256 678)
Profit for the year	361 499	167 258	113 787	642 544

Attributable to:				
Owners of the parent	355 360	167 258	79 556	602 174
Non-controlling interest	6 139	-	34 231	40 370
	361 499	167 258	113 787	642 544
Headline earnings	355 228	167 279	81 381	603 888
Recurring headline earnings	338 594	167 279	85 226	591 099

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 earnings	339 129	155 825	71 442	566 396
Recurring headline earnings	339 129	155 825	71 442	566 396

(1) Finance costs in the PSG Wealth division consist mainly of 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 R22.1 million (2018: R22.5 million) consist of R9.8 million (2018: R8.0 million) on the loan funding, with the remaining portion of the finance charge on the CFD margin and the bank overdrafts.

6.5 Statement of financial position (client vs own)

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

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

As at 28 February 2019 (Reviewed)	Total IFRS reported R000	Own balances R000	Client-related balances R000
ASSETS			
Equity securities	2 353 387	16 444	2 336 943
Debt securities (4)	6 262 071	52 207	6 209 864
Unit-linked investments	46 488 080	769 414	45 718 666
Investment in investment contracts	16 048	-	16 048
Receivables including insurance receivables (4)	1 690 828	369 874	1 320 954
Derivative financial instruments	10 592	-	10 592
Cash and cash equivalents (including money market funds) (4)	945 442	1 848 840	(903 398)
Other assets (1)	1 607 714	1 607 714	-
Total assets	59 374 162	4 664 493	54 709 669
EQUITY			
Equity attributable to owners of the parent	2 989 274	2 989 274	-
Non-controlling interest	225 308	225 308	-
Total equity	3 214 582	3 214 582	-
LIABILITIES			
Borrowings (2)	112 314	1 725	110 589
Investment contracts	25 932 120	-	25 932 120
Third-party liabilities arising on consolidation of mutual funds (4)	27 350 796	-	27 350 796
Derivative financial instruments	13 973	-	13 973
Trade and other payables (4)	2 153 524	851 333	1 302 191
Other liabilities (3)	596 853	596 853	-
Total liabilities	56 159 580	1 449 911	54 709 669
Total equity and liabilities	59 374 162	4 664 493	54 709 669

(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.
(4) 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.

	Total IFRS reported R000	Own balances R000	Client-related balances R000
ASSETS			
Equity securities	2 321 482	17 279	2 304 203
Debt securities	2 582 815	50 974	2 531 841
Unit-linked investments	42 196 090	629 630	41 566 460
Investment in investment contracts	14 798	-	14 798
Receivables including insurance receivables	1 904 775	310 491	1 594 284
Derivative financial instruments	8 854	-	8 854
Cash and cash equivalents (including money market investments)	1 920 626	1 565 893	354 733
Other assets (1)	1 463 931	1 463 931	-
Total assets	52 413 371	4 038 198	48 375 173

EQUITY			
Equity attributable to owners of the parent	2 505 061	2 505 061	-
Non-controlling interest	235 654	235 654	-
Total equity	2 740 715	2 740 715	-
LIABILITIES			
Borrowings (2)	103 695	2 467	101 228
Investment contracts	24 278 949	-	24 278 949
Third-party liabilities arising on consolidation of mutual funds	22 585 256	-	22 585 256
Derivative financial instruments	16 857	-	16 857
Trade and other payables	2 116 527	723 644	1 392 883
Other liabilities (3)	571 372	571 372	-
Total liabilities	49 672 656	1 297 483	48 375 173
Total equity and liabilities	52 413 371	4 038 198	48 375 173

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

6.6 Income statement (client vs own)

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

For the year ended 28 February 2019 (Reviewed)	Total IFRS reported R000	Core business R000	Linked investment business and other R000
Revenue from contracts with customers (3)	3 350 590	3 440 312	(89 722)
Investment income (4)	1 884 470	213 587	1 670 883
Net fair value gains and losses on financial instruments	646 786	2 344	644 442
Fair value adjustment to investment contract liabilities	(1 061 253)	-	(1 061 253)
Fair value adjustment to third-party liabilities	(1 196 594)	-	(1 196 594)
Other (1)	947 334	947 334	-
Total income	4 571 333	4 603 577	(32 244)
Insurance claims and loss adjustment expenses	(803 746)	(803 746)	-
Other (2), (3)	(2 821 998)	(2 878 596)	56 598
Total expenses	(3 625 744)	(3 682 342)	56 598
Total profit from joint ventures	431	431	-
Profit before finance costs and taxation	946 020	921 666	24 354
Finance costs	(34 297)	(22 444)	(11 853)
Profit before taxation	911 723	899 222	12 501
Taxation	(269 179)	(256 678)	(12 501)
Profit for the year	642 544	642 544	-
Attributable to:			
Owners of the parent	602 174	602 174	-
Non-controlling interest	40 370	40 370	-
	642 544	642 544	-

(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.

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

(1) Other consists of net insurance premium revenue and other operating income.
(2) Other consists of insurance claims and loss adjustment expenses recovered from reinsurers, commission paid, depreciation and amortisation, employee benefit expenses, marketing, administration and other expenses.
(3) The linked investment business and other income statement includes the impact of the fees eliminated between the collective investment schemes (consolidated under IFRS 10 - Consolidated financial statements) and the collective investment scheme management company, PSG Collective Investments (RF) Limited.

6.7 Statement of cash flows (client vs own)

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

For the year ended 28 February 2019 (Reviewed)	Total IFRS reported R000	Own balances R000	Client-related balances R000
Cash flows from operating activities	618 721	670 490	(51 769)
Cash (utilised in)/generated by operations	(1 016 172)	701 845	(1 718 017)
Interest income	1 404 489	209 819	1 194 670
Dividend income	479 981	3 768	476 213
Finance costs	(34 297)	(22 444)	(11 853)
Taxation (paid)/refunded	(222 391)	(222 498)	107
Policyholder cash movement	7 111	-	7 111
Cash flows from investing activities	(1 360 071)	(153 709)	(1 206 362)
Acquisition of subsidiaries (including collective investment schemes)	(1 226 304)	(52 042)	(1 174 262)
Disposal of subsidiaries (including collective investment schemes)	(32 100)	-	(32 100)
Other (1)	(101 667)	(101 667)	-
Cash flows from financing activities	(241 845)	(241 845)	-
Net (decrease)/increase in cash and cash equivalents	(983 195)	274 936	(1 258 131)
Cash and cash equivalents at beginning of the year	1 920 626	1 565 893	354 733
Exchange gains on cash and cash equivalents	8 011	8 011	-
Cash and cash equivalents at end of the year	945 442	1 848 840	(903 398)

(1) Other consists of cash flows relating to the acquisition of intangible assets, purchases of property and equipment, proceeds from disposal of assets and liabilities held for sale, proceeds from disposal of intangible assets and other.

For the year ended 28 February 2018 (Audited)	Total IFRS reported R000	Own balances R000	Client-related balances R000
Cash flows from operating activities	826 248	674 938	151 310
Cash (utilised in)/generated by operations	(487 401)	754 527	(1 241 928)
Interest income	1 203 376	188 355	1 015 021
Dividend income	423 476	2 846	420 630
Finance costs	(23 105)	(23 105)	-
Taxation paid	(276 860)	(247 685)	(29 175)
Policyholder cash movement	(13 238)	-	(13 238)
Cash flows from investing activities	(112 958)	(112 958)	-
Cash flows from financing activities (1)	(176 878)	(276 878)	100 000
Net increase in cash and cash equivalents	536 412	285 102	251 310
Cash and cash equivalents at beginning of the year	1 385 542	1 282 119	103 423
Exchange losses on cash and cash equivalents	(1 328)	(1 328)	-
Cash and cash equivalents at end of the year	1 920 626	1 565 893	354 733

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

7. Investment contracts

Investment contracts are represented by the following financial assets:

	Reviewed as at 28 Feb 19 R000	Audited as at 28 Feb 18 R000
Equity securities	2 176 799	2 192 586
Debt securities	368 466	483 551
Unit-linked investments	23 362 722	21 587 040
Investments in investment contracts	16 048	14 798
Cash and cash equivalents	8 085	974
	25 932 120	24 278 949

8. Receivables including insurance receivables and trade and other payables

Included under receivables are broker and clearing accounts at our stockbroking business of which R1 278.0 million (2018: R1 372.6 million) represents amounts owing by the JSE for trades conducted during the last few days before the end of the financial year. These balances fluctuate on a daily basis depending on the activity in the market.

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

9. Notes to the statement of cash flows

9.1 Acquisition of subsidiaries and businesses

For the year ended 28 February 2019
Collective investment schemes

The group obtained control of the PSG Wealth Global Preserver Feeder Fund and the PSG Money Market Fund during the 2019 financial year. These funds were consolidated in accordance with IFRS 10 - Consolidated financial statements and are collective investment schemes managed by entities within the group.

Fund consolidated	PSG Wealth Global Preserver Feeder Fund	PSG Money Market Fund
% interest in fund on effective date	31	49
Date of acquisition	31 August 2018	28 February 2019
Details of the net assets acquired are as follows:	R000	R000
Debt securities	-	3 391 088
Unit-linked investments	992 065	-
Receivables including insurance receivables	553	759
Cash and cash equivalents (including money market funds)	9 542	61 821
Third-party liabilities arising on consolidation of mutual funds	(689 002)	(1 779 206)
Trade and other payables	(382)	(1 245)
Net asset value	312 776	1 673 217
Fair value of interest held before the business combination	(312 776)	(1 673 217)
Cash consideration paid	-	-
Cash and cash equivalents derecognised	-	(1 245 625)
Cash and cash equivalents acquired	9 542	61 821
Net cash inflow/(outflow) for the year ended 28 February 2019	9 542	(1 183 804)

Had the PSG Wealth Global Preserver Feeder Fund been consolidated from 1 March 2018, total income of R3.4 million and profit of Rnil would have been recognised in the consolidated income statement.

Had the PSG Money Market Fund been consolidated from 1 March 2018, total income of R13.4 million and profit of Rnil would have been recognised in the consolidated income statement.

Other business combinations

PSG Konsult Limited, through its subsidiary PSG Wealth Financial Planning Proprietary Limited, acquired the commercial and industrial short-term insurance and the personal lines short-term insurance brokerage business of AIFA. The effective dates of these transactions were 1 June 2018 and 1 December 2018 respectively following the fulfilment of suspensive conditions.

Details of the net assets acquired are as follows:	Commercial and industrial R000	Personal lines R000
Cash paid	32 766	18 526
Cash due	32 765	18 526
Total purchase consideration	65 531	37 052
Less: Fair value of net assets acquired	(42 597)	(25 338)
Goodwill recognised on acquisition	22 934	11 714

The remaining purchase consideration for these transactions will be paid in two 25% tranches over the next two years.

Cash consideration paid	(32 766)	(18 526)
Cash and cash equivalents acquired	-	-
Net cash outflow for the year ended 28 February 2019	(32 766)	(18 526)

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

The fair value of the assets and liabilities arising from the acquisition are as follows:	Commercial and industrial R000	Personal lines R000
Intangible assets - Customer relationships	59 162	35 191
Deferred income tax	(16 565)	(9 853)
Total identifiable net assets	42 597	25 338

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 R105.2 million. The book of business also contributed a profit after taxation of R12.3 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 R140.2 million and profit after taxation of R16.4 million for the year ended 28 February 2019.

The income, included in the consolidated income statement, contributed by the AIFA personal lines short-term insurance brokerage business since the acquisition date, was R19.0 million. The book of business also contributed a profit after taxation of R2.5 million over the same period. Had the AIFA personal lines short-term insurance brokerage business been consolidated from 1 March 2018, the consolidated income statement would have shown income of R76.2 million and profit after taxation of R10.1 million for the year ended 28 February 2019.

9.2 Disposal of subsidiaries and businesses

For the year ended 28 February 2019
Collective investment schemes

The group deconsolidated the PSG Multi-Management Foreign Flexible Fund of Funds and the PSG Wealth Income Fund of Funds during the 2019 financial year as the group lost control of these funds, due to a decrease in the effective interest in the funds.

Details of the net assets disposed of are as follows:	PSG Multi Management Foreign Flexible Fund of Funds R000	PSG Wealth Income Fund of Funds R000
Unit-linked investments	133 049	2 797 522
Receivables including insurance receivables	186 008	1 228
Cash and cash equivalents (including money market funds)	17 182	14 918
Third-party liabilities arising on consolidation of mutual funds	(228 106)	(1 772 309)
Trade and other payables	(2 511)	(1 611)
Net asset value	105 622	1 039 748
Transfer to unit-linked investments	(105 622)	(1 039 748)
Cash consideration received	-	-
Cash and cash equivalents given up	(17 182)	(14 918)
Net cash outflow for the year ended 28 February 2019	(17 182)	(14 918)

Assets and liabilities held for sale

PSG Konsult Limited, through its subsidiary PSG Konsult (Mauritius) Limited, entered into an agreement to sell its 70% interest held in the PSG Wealth Limited (Mauritius) and PSG Securities Limited (Mauritius) businesses. The transaction was subject to suspensive conditions and was treated as held for sale on 31 August 2018.

The businesses were sold for R7.2 million, effective 1 November 2018, after the fulfilment of the suspensive conditions.

9.3 Other acquisitions - standardising of revenue sharing model

For the year ended 28 February 2019

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 total cash consideration of R38.9 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 R3.3 million to our headline earnings during the 2019 financial year, net of amortisation cost of R1.5 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.

10. Financial risk management

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

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

The condensed consolidated financial statements do not include all risk management information and disclosure required in the annual financial statements and should be read in conjunction with the group's annual financial statements as at 28 February 2019.

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 R2 353.4 million (2018: R2 321.5 million) are quoted equity securities of R2 353.1 million (2018: R2 321.2 million), of which R2 176.8 million (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 R23 362.7 million (2018: R21 587.0 million) are linked to investment contracts and do not directly expose the group to price or interest rate risk.

Debt securities linked to policyholder investments amounted to R368.5 million (2018: R483.6 million) and do not expose the group to interest rate risk. Cash and cash equivalents linked to policyholder investments amounted to R8.1 million (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 financial year under review.

The table below analyses financial assets and liabilities, which are carried at fair value, by valuation method. There were no significant changes in the valuation techniques and assumptions applied since 28 February 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 unitised financial asset that is linked to the liability, multiplied by the number of units held	Not applicable
Third-party liabilities arising on the consolidation of mutual funds	Quoted put (exit) price provided by the fund manager	Not applicable - prices are publicly available

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

As at 28 February 2019 (Reviewed)	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
Financial assets				
Derivative financial instruments	-	10 592	-	10 592
Equity securities	2 353 147	-	240	2 353 387
Debt securities	876 023	5 319 500	-	6 195 523
Unit-linked investments	-	46 033 221	454 859	46 488 080
Investment in investment contracts	-	16 048	-	16 048
	3 229 170	51 379 361	455 099	55 063 630
Financial liabilities				
Derivative financial instruments	-	13 973	-	13 973
Investment contracts	-	25 438 584	435 129	25 873 713
Trade and other payables	-	-	91 655	91 655
Third-party liabilities arising on consolidation of mutual funds	-	27 350 796	-	27 350 796
	-	52 803 353	526 784	53 330 137

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
	3 243 612	43 003 121	717 377	46 964 110
Financial liabilities				
Derivative financial instruments	-	16 857	-	16 857
Investment contracts	-	23 420 874	698 146	24 119 020
Trade and other payables	-	-	45 344	45 344
Third-party liabilities arising on consolidation of mutual funds	-	22 585 256	-	22 585 256
	-	46 022 987	743 490	46 766 477

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

	Reviewed 28 Feb 19 R000	Audited 28 Feb 18 R000
Assets		
Opening carrying value	717 377	1 109 600
Additions	229 809	487 832
Disposals	(523 353)	(903 023)
Gains recognised in profit or loss (1)	31 266	22 968
Closing carrying value	455 099	717 377
Liabilities		
Opening carrying value	743 490	1 137 380
Additions	311 940	541 839
Disposals	(611 564)	(962 005)
Subsidiaries acquired	51 931	-
Losses recognised in profit or loss (2)	30 987	26 276
Closing carrying value	526 784	743 490

(1) Gains on these items were recognised in profit or loss under 'net fair value gains and losses on financial instruments'.
(2) Losses recognised in profit or loss were recognised under 'fair value adjustment to investment contract liabilities'.

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

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

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

	Reviewed 28 Feb 19 R000	Audited 28 Feb 18 R000
Assets		
Debt securities		
- Carrying value	66 548	159 928
- Fair value	65 540	159 038
Liabilities		
Investment contracts		
- Carrying value	58 407	159 928
- Fair value	57 523	159 038

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

11. Related-party transactions

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

12. Capital commitments and contingencies

	Reviewed 28 Feb 19 R000	Audited 28 Feb 18 R000
Operating lease commitments	236 727	142 975
Capital commitments	-	-

13. Events after the reporting date

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

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

IFRS 15 required revenue from contracts with customers to be separately presented on the face of the income statement. Refer to the condensed consolidated income statement where this amendment has been made.

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.

The impact on the classification and measurement of financial assets was as follows for the group:
- Financial instruments and derivative assets, which are held to back client assets or for risk management purposes, previously measured at fair value through profit or loss under IAS 39, are also measured at fair value through profit or loss under IFRS 9.
- Loans and receivables that were classified as loans and receivables and measured at amortised cost under IAS 39 are 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 had no financial instruments 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*
Z Matsau*
(^ Lead independent; * Independent)

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

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

PO Box 61051
Marshalltown
2107

Sponsors
JSE sponsor: PSG Capital Proprietary Limited
NSX sponsor: PSG Wealth Management (Namibia) Proprietary Limited
SEM authorised representative and SEM sponsor: Perigeum Capital Ltd

Auditor
PricewaterhouseCoopers Inc.
Cape Town

Website address
www.psg.co.za