PSG Konsult

2020

RESULTS FOR THE YEAR ENDED
29 FEBRUARY 2020

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

WHO WE ARE

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

WHAT WE DO

PSG WEALTH

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

PSG ASSET MANAGEMENT

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

PSG INSURE

Personal and commercial short-term insurance solutions.

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

8% ⌃

Recurring headline earnings per share

to 48.1 cents

2019: 44.6 cents | **2018:** 43.0 cents

22% ⌃

Gross written premium[1]

to R5.5bn

2019: R4.5bn | **2018:** R3.3bn

3 ⌃

Number of advisers

to 935

2019: 932 | **2018:** 784

3% ⌃

Total assets under management

to R230bn

2019: R222bn | **2018:** R205bn

10% ⌃

Dividend per share

to 22.5 cents

2019: 20.5 cents | **2018:** 18.0 cents

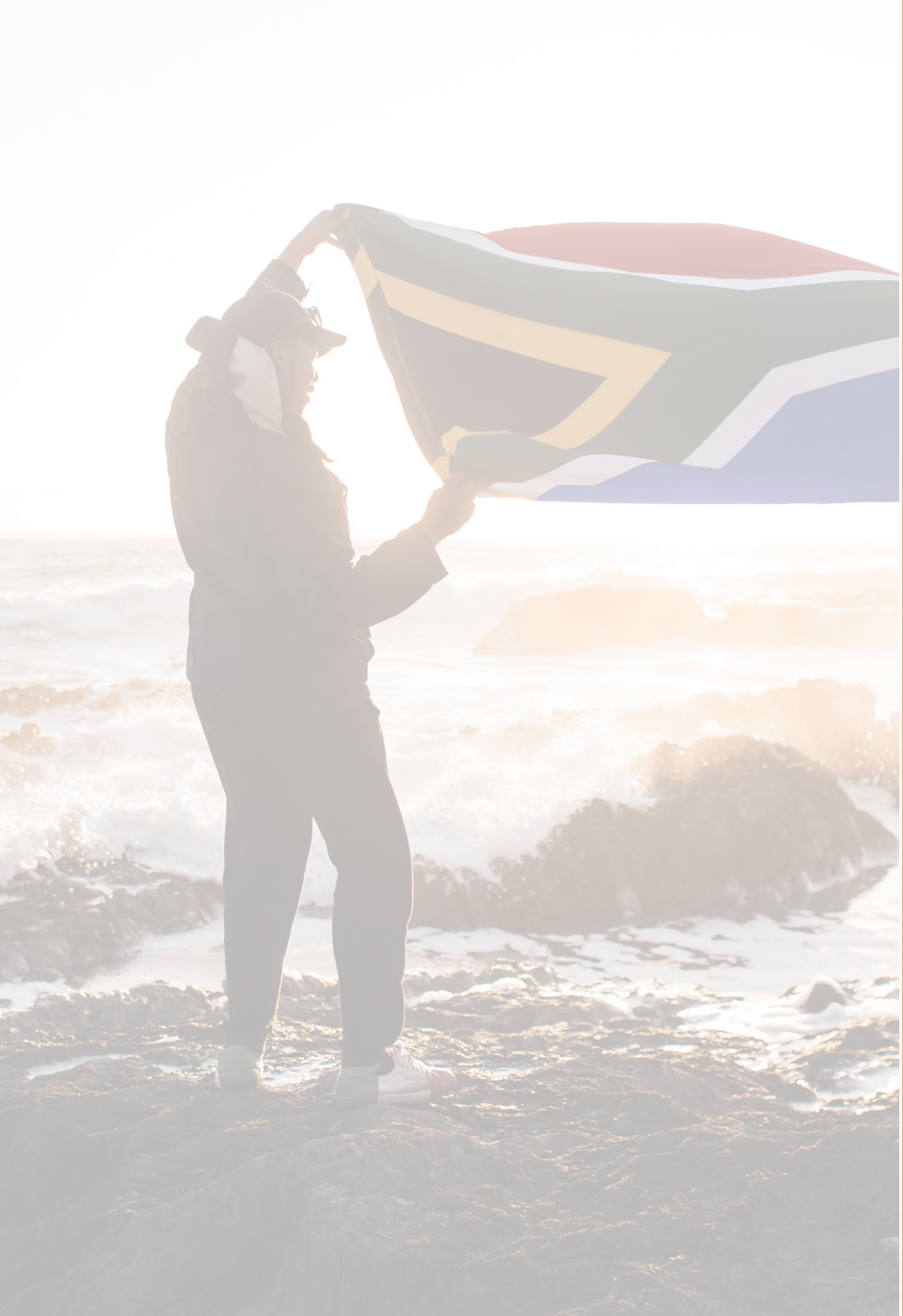
6% ⌄

Total assets under administration

to R397bn

2019: R422bn | **2018:** R402bn

[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.*



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OUR MISSION

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

COMMENTARY

INTRODUCTION

Shareholders are reminded that the financial statements are based on the actual results for the year ended 29 February 2020, as required in terms of International Financial Reporting Standards (IFRS). Therefore, these financial statements do not reflect the current market conditions and must be read in that context. The directors, while complying with IFRS, have also chosen to comment on the impact of the developing COVID-19 pandemic.

FINANCIAL RESULTS

PSG Konsult produced a solid 8% recurring headline earnings per share growth and 20.5% return on equity for 2020, despite longer-term structural deficits in the South African economy.

We continued to invest in long-term growth initiatives, given the attractive opportunities we see for our businesses. During the current year we maintained investment momentum in systems and processes (+17% in non-personnel costs) while also continuing to hire top talent (+8% in personnel costs).

It's a salutary reminder that the benefits from long-term investments take time and require both confidence and patience. Over the past five years we invested circa R1 billion (fully expensed) in systems and processes, and it's only during the current year that we started to see the benefits of lower marginal costs related to client service. Consequently, we expect that the growth in future costs will be at a lower rate.

The Insure division's growth in recurring headline earnings was supported by the Absa Insurance and Financial Advisers (AIFA) acquisition concluded in the prior year.

No performance fees were earned during the current year, compared to the prior year where performance fees constituted 2.9% of headline earnings.

PSG Konsult's key financial performance indicators for the year ended 29 February 2020 are shown below:

	29 Feb 2020 R000	Change %	28 Feb 2019 R000
Core income	**5 068 869**	10	4 603 577
Recurring headline earnings	**644 408**	9	591 099
Non-recurring items	**–**		12 789
Headline earnings	**644 408**	7	603 888
Non-headline items	**2 549**		(1 714)
Earnings attributable to ordinary shareholders	**646 957**	7	602 174
Divisional recurring headline earnings			
PSG Wealth	**376 384**	11	338 594
PSG Asset Management	**146 420**	(12)	167 279
PSG Insure	**121 604**	43	85 226
	644 408	9	591 099
Weighted average number of shares in issue (net of treasury shares) (millions)	**1 340.9**	1	1 325.1
Earnings per share (basic) (cents)			
– Recurring headline	**48.1**	8	44.6
– Headline	**48.1**	5	45.6
– Attributable	**48.2**	6	45.4
– Recurring headline (excluding intangible asset amortisation cost)	**52.2**	8	48.4
Dividend per share (cents)	**22.5**	10	20.5
– Interim	**7.5**	7	7.0
– Final	**15.0**	11	13.5
Return on equity (ROE) (%)	**20.5**		21.5

PSG Wealth

PSG Wealth achieved recurring headline earnings growth of 11%

We are pleased with this result in the context of challenging economic and market conditions. The division's revenue increased by 8% during the current year, consisting of an increase in management and other recurring fees of 8%, while transactional brokerage fees remained flat.

We continue to enhance our information technology systems and platforms for both our advisers and clients. During the current year we upgraded our local stockbroking platform by implementing and adopting IRESS, a world-renowned trading and portfolio management system. In addition, we also changed our offshore platform provider to ensure that we are positioned for further growth and improved service delivery. All related IT system costs continue to be fully expensed.

Clients' assets managed by our Wealth advisers increased by 10% to R193.1 billion during the year under review, which included R12.0 billion of positive net inflows.

The division's formidable financial adviser network consisted of 559 wealth advisers as at 29 February 2020. During the year we appointed 40 new wealth advisers, while the assets managed by the smaller advisers that left the group during the year 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.

In times of market volatility effective investment advice provides clients with greater peace of mind and limits emotion-driven investment decisions. Therefore, clients need expert guidance from advisers who have a holistic view. We therefore 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.

In recognition of this, the division received the following accolades during the current year:

- Top Wealth Manager of the Year: Large Institutions at the Intellidex Top Private Banks and Wealth Managers Awards during June 2019. The division also won the Successful Entrepreneur and Young Professional archetype categories at these awards
- The PSG Wealth Global Creator Fund of Funds was the runner up at the 2020 Morningstar awards in the category for Best Global Equity Fund
- Third position overall in the annual Intellidex SA's Top Stockbrokers survey during September 2019

PSG Asset Management

PSG Asset Management's recurring headline earnings decreased by 12%

The results achieved by this division were adversely impacted by the current challenging market conditions which resulted in no performance fees being earned during the current year. Although shorter-term investment performance delivered is below benchmark, the division's long-term track record of delivering risk-adjusted investment returns for our clients remained intact. Client assets under management decreased by 22% to R36.7 billion during the current year, due to a combination of market movements and net client outflows. Assets administered by the division increased by 2% to R120.2 billion, supported by R9.5 billion of multi-managed net inflows.

PSG Insure

PSG Insure achieved recurring headline earnings growth of 43%

The group is pleased with this achievement, which was bolstered by the successful integration of the recent AIFA acquisitions and robust underwriting results. This division achieved gross written premium growth of 22% as we continue to focus on growing the commercial lines side of the business, which requires specialist adviser expertise. No significant catastrophe or other related events occurred during the current year. When combined with our quality underwriting practices, this allowed Western National Insurance to achieve a commendable net underwriting margin of 13.6% compared to the 8.9% achieved in the prior year. The number of insurance advisers decreased by 3% to 376 during the current year, mainly due to smaller adviser rationalisation.

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 and during the current year we continued to grow the number of client events and attendees. 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 continues to be a key focus area for the division. The division intensified its client communication in the current year, given challenging market conditions.

PSG Insure provides robust 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

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

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

CAPITAL MANAGEMENT

PSG Konsult remains strongly capitalised, with a capital cover ratio of 191% (2019: 182%) based on the latest insurance group return.

The group negotiated the early redemption of the R100.0 million notes issued under the Domestic Medium-Term Note Programme. The notes were redeemed on 12 July 2019, utilising surplus cash, and the group therefore had no remaining interest-bearing debt at year-end.

Shareholders were advised on 4 December 2019 that the rating agency Global Credit Rating Company ("GCR") upgraded the group's credit rating. PSG Konsult's long-term South African national scale rating was upgraded to A(ZA) from A-(ZA), while the short-term South African national scale rating was revised to A1(ZA), from A1-(ZA) with a stable outlook.

To minimise the impact of share issue dilution, the PSG Konsult Group Share Incentive Trust purchased 12 585 068 PSG Konsult shares, at a cost of R122.1 million, during the first half of the year to satisfy certain of its obligations in terms of the Share Incentive Scheme. In addition, PSG Konsult repurchased and cancelled a further 1 551 139 shares at a cost of R13.7 million during the second half of the year.

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.

INFORMATION TECHNOLOGY

As a group we are committed to providing great outcomes for our clients. By focusing on simple to use, stable, client centric solutions we are committed to delivering a great digital client experience. The group has made positive progress during the current year in enhancing strategic adviser and client systems.

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

NEW ACCOUNTING STANDARDS

The group implemented IFRS 16 – Leases during the current year, using the modified retrospective approach, without restating comparatives. The group recognised right-of-use assets amounting to R150.4 million and a corresponding lease liability of R179.3 million on adoption of the standard. The difference of R12.6 million, after adjusting for the straightlining creditor and deferred tax, was recognised as an adjustment to retained earnings. For the year ended 29 February 2020, recurring headline earnings was negatively impacted by R4.4 million as a result of the adoption of IFRS 16. The impact of IFRS 16 is more fully disclosed in note 12 of the condensed consolidated financial statements.

LOOKING FORWARD

We continue to monitor the macroeconomic environment, both locally and globally, and the associated impact on our clients and other stakeholders.

PSG Konsult's strong 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, 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

COVID-19

Our first priority is to ensure staff safety and business continuity for our clients. We are able to report that most of PSG Konsult's operations have been classified as an essential service, but that 99% of our staff and advisers are working remotely. Despite recent market volatility caused by COVID-19, PSG Konsult remains resilient. Assets under management at 31 March 2020 amounted to R207.9 billion, a decrease of circa 10% compared to a 13% decrease in the JSE All Share Index during March 2020. The group has a strong balance sheet and excellent liquidity. We take a prudent approach when investing assets backing our regulatory capital requirements; as such circa 90% of investable shareholder assets are invested in cash, money market or related instruments. The aim is to limit market volatility on our shareholders' equity and regulatory capital; by way of example, the shareholders' assets declined by less than 1% for the month ended 31 March 2020. PSG Konsult is working with various authorities and regulators to help minimise the impact of COVID-19 on society as a whole, which among other initiatives shall include a R10.0 million donation into the South African Solidarity Fund.

No other events material to the understanding of these results occurred between 29 February 2020 and the date of approval of the condensed consolidated financial statements.

DIVIDEND

Given its continued confidence in the group's prospects, the board decided to approve and declare a final gross dividend of 15.0 ZAR cents per share from income reserves for the year ended 29 February 2020 (2019: 13.5 ZAR cents per share). 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 at 20% results in a net dividend of 12.0 ZAR cents per share. The number of issued ordinary shares is 1 356 922 600 at the date of this declaration. PSG Konsult's income tax reference number in South Africa is 9550/644/07/5.

The salient dates of the dividend declaration are:

Declaration date	Tuesday, 14 April 2020
Last day to trade cum dividend	Tuesday, 5 May 2020
Trading ex-dividend commences	Wednesday, 6 May 2020
Record date	Friday, 8 May 2020
Date of payment	Monday, 11 May 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, 6 May 2020 and Friday, 8 May 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 commitment during the past year.

On behalf of the board

Willem Theron
Chairman

Francois Gouws
Chief executive officer

Tyger Valley
13 April 2020

www.psg.co.za

INDEPENDENT AUDITOR'S REVIEW REPORT ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF PSG KONSULT LIMITED

We have reviewed the condensed consolidated financial statements of PSG Konsult Limited, set out on pages 8 to 31 of the preliminary report, which comprise the condensed consolidated statement of financial position as at 29 February 2020 and the related condensed consolidated income statement and condensed consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and selected explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, as set out in note 2 to the financial statements, and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express a conclusion on these financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, which applies to a review of historical financial information performed by the independent auditor of the entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

A review of financial statements in accordance with ISRE 2410 is a limited assurance engagement. We perform procedures, primarily consisting of making inquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluate the evidence obtained. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly, we do not express an audit opinion on these financial statements.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements of PSG Konsult Limited for the year ended 29 February 2020 are not prepared, in all material respects, in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, as set out in note 2 to the financial statements, and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.

Director: RA Botha
Registered Auditor

Cape Town
14 April 2020

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 29 February 2020

	Notes	Reviewed as at 29 Feb 20 R000	Audited as at 28 Feb 19 R000
ASSETS			
Intangible assets		**1 144 803**	1 178 249
Property and equipment		**91 715**	67 244
Right-of-use assets	12	**248 220**	–
Investment in joint ventures		**1 105**	1 525
Deferred income tax assets		**81 315**	101 091
Equity securities		**2 229 474**	2 353 387
Debt securities		**6 212 400**	6 262 071
Unit-linked investments		**50 398 850**	46 488 080
Investment in investment contracts		**15 587**	16 048
Loans and advances		**138 012**	128 995
Derivative financial instruments		**23 131**	10 592
Reinsurance assets		**127 303**	103 758
Deferred acquisition costs		**6 622**	5 685
Receivables including insurance receivables		**2 094 305**	1 690 828
Current income tax assets		**13 093**	21 167
Cash and cash equivalents (including money market funds)		**1 073 653**	945 442
Total assets		**63 899 588**	59 374 162
EQUITY			
Equity attributable to owners of the parent			
Stated capital		**2 069 029**	2 129 572
Treasury shares		**(171 128)**	(230 723)
Other reserves		**(394 319)**	(360 826)
Retained earnings		**1 802 273**	1 451 251
		3 305 855	2 989 274
Non-controlling interest		**278 647**	225 308
Total equity		**3 584 502**	3 214 582
LIABILITIES			
Insurance contracts		**554 469**	542 086
Deferred income tax liabilities		**69 701**	47 702
Borrowings		**–**	112 314
Lease liabilities	12	**304 964**	–
Derivative financial instruments		**30 406**	13 973
Investment contracts	7	**26 694 209**	25 932 120
Third-party liabilities arising on consolidation of mutual funds		**30 293 931**	27 350 796
Deferred reinsurance acquisition revenue		**7 079**	4 904
Trade and other payables		**2 356 383**	2 153 524
Current income tax liabilities		**3 944**	2 161
Total liabilities		**60 315 086**	56 159 580
Total equity and liabilities		**63 899 588**	59 374 162
Net asset value per share (cents)		**247.0**	223.6

CONDENSED CONSOLIDATED INCOME STATEMENT

for the year ended 29 February 2020

	Reviewed Year ended 29 Feb 20 R000	Audited Year ended 28 Feb 19 R000
Gross written premium	**1 520 299**	1 256 763
Less: Reinsurance written premium	**(462 179)**	(355 297)
Net written premium	**1 058 120**	901 466
Change in unearned premium		
– Gross	**32 721**	32 436
– Reinsurers' share	**6 165**	2 859
Net insurance premium revenue	**1 097 006**	936 761
Revenue from contracts with customers and other operating income	**3 678 801**	3 361 163
Interest income on amortised cost financial instruments	**145 328**	147 696
Interest income on fair value through profit or loss financial instruments	**1 446 269**	1 256 793
Dividend income	**646 607**	479 981
Net fair value gains and losses on financial instruments	**(141 842)**	646 786
Fair value adjustment to investment contract liabilities	**(505 539)**	(1 061 253)
Fair value adjustment to third-party liabilities	**(1 309 620)**	(1 196 594)
Total income	**5 057 010**	4 571 333
Insurance claims and loss adjustment expenses	**(943 290)**	(803 746)
Insurance claims and loss adjustment expenses recovered from reinsurers	**279 958**	221 752
Net insurance benefits and claims	**(663 332)**	(581 994)
Commission paid	**(1 509 684)**	(1 367 697)
Depreciation and amortisation[1]	**(144 067)**	(81 799)
Employee benefit expenses	**(1 010 402)**	(950 471)
Marketing, administration and other expenses	**(679 188)**	(643 783)
Total expenses	**(4 006 673)**	(3 625 744)
Total (loss)/profit from joint ventures	**(420)**	431
Profit before finance costs and taxation	**1 049 917**	946 020
Finance costs	**(45 303)**	(34 297)
Profit before taxation	**1 004 614**	911 723
Taxation	**(297 053)**	(269 179)
Profit for the year	**707 561**	642 544
Attributable to:		
Owners of the parent	**646 957**	602 174
Non-controlling interest	**60 604**	40 370
	707 561	642 544
Earnings per share (cents)		
Attributable (basic)	**48.2**	45.4
Attributable (diluted)	**48.1**	45.0
Headline (basic)	**48.1**	45.6
Headline (diluted)	**47.9**	45.2
Recurring headline (basic)	**48.1**	44.6
Recurring headline (diluted)	**47.9**	44.4

[1] *Includes amortisation cost of R58.2 million (2019: R52.4 million).*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 29 February 2020

	Reviewed Year ended 29 Feb 20 R000	Audited Year ended 29 Feb 19 R000
Profit for the year	**707 561**	642 544
Other comprehensive income for the year, net of taxation	**10 998**	11 524
Items that are or may be reclassified to profit or loss:		
Currency translation adjustments	**10 998**	11 663
Recycling adjustment on foreign subsidiaries sold	**–**	(139)
Total comprehensive income for the year	**718 559**	654 068
Attributable to:		
Owners of the parent	**657 955**	613 698
Non-controlling interest	**60 604**	40 370
	718 559	654 068

EARNINGS AND HEADLINE EARNINGS PER SHARE

for the year ended 29 February 2020

	Reviewed Year ended 29 Feb 20 R000	Audited Year ended 29 Feb 19 R000
Headline earnings	**644 408**	603 888
Recurring	**644 408**	591 099
Non-recurring	**–**	12 789
Non-headline items (net of non-controlling interest and related tax effect)		
Profit/(loss) on disposal of intangible assets (including goodwill)	**602**	(2 626)
Profit on disposal of subsidiaries	**1 558**	–
Other	**389**	912
Profit attributable to ordinary shareholders	**646 957**	602 174
Earnings per share (cents)		
Attributable (basic)	**48.2**	45.4
Attributable (diluted)	**48.1**	45.0
Headline (basic)	**48.1**	45.6
Headline (diluted)	**47.9**	45.2
Recurring headline (basic)	**48.1**	44.6
Recurring headline (diluted)	**47.9**	44.4
Number of shares (millions)		
In issue (net of treasury shares)	**1 338.4**	1 336.7
Weighted average (net of treasury shares)	**1 340.9**	1 325.1

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for 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 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 (Audited)	2 129 572	(230 723)	(360 826)	1 451 251	225 308	3 214 582
Adjustment on initial application of IFRS 16	**–**	**–**	**–**	**(12 555)**	**–**	**(12 555)**
Adjusted balance at 1 March 2019	**2 129 572**	**(230 723)**	**(360 826)**	**1 438 696**	**225 308**	**3 202 027**
Comprehensive income						
Profit for the year	**–**	**–**	**–**	**646 957**	**60 604**	**707 561**
Other comprehensive income for the year	**–**	**–**	**10 998**	**–**	**–**	**10 998**
Total comprehensive income for the year	**–**	**–**	**10 998**	**646 957**	**60 604**	**718 559**
Transactions with owners	**(60 543)**	**59 595**	**(44 491)**	**(283 380)**	**(7 265)**	**(336 084)**
Issue of ordinary shares	**24 145**	**–**	**–**	**–**	**–**	**24 145**
Repurchase and cancellation of shares	**(84 688)**	**–**	**–**	**–**	**–**	**(84 688)**
Share-based payment costs	**–**	**–**	**26 306**	**–**	**–**	**26 306**
Transactions with non-controlling interest	**–**	**–**	**–**	**–**	**(2 262)**	**(2 262)**
Net movement in treasury shares	**–**	**81 450**	**–**	**–**	**–**	**81 450**
Current tax on equity-settled share-based payments	**–**	**–**	**9 584**	**–**	**–**	**9 584**
Deferred tax on equity-settled share-based payments	**–**	**–**	**(31 054)**	**–**	**–**	**(31 054)**
Loss on issue of shares in terms of share scheme	**–**	**–**	**(71 834)**	**–**	**–**	**(71 834)**
Release of share-based payment reserve to retained earnings on vested share options	**–**	**–**	**22 507**	**(22 507)**	**–**	**–**
Release of profits from treasury shares to retained earnings	**–**	**(21 855)**	**–**	**21 855**	**–**	**–**
Dividends paid	**–**	**–**	**–**	**(282 728)**	**(5 003)**	**(287 731)**
Balance at 29 February 2020 (Reviewed)	**2 069 029**	**(171 128)**	**(394 319)**	**1 802 273**	**278 647**	**3 584 502**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 29 February 2020

	Notes	Reviewed Year ended 29 Feb 20 R000	Audited Year ended 29 Feb 19 R000
Cash flows from operating activities			
Cash utilised in operations		**(1 256 928)**	(1 016 172)
Interest received		**1 591 597**	1 404 489
Dividends received		**646 607**	479 981
Finance costs		**(45 303)**	(34 297)
Taxation paid		**(259 480)**	(222 391)
Operating cash flows before policyholder cash movement		**676 493**	611 610
Policyholder cash movement		**22 485**	7 111
Net cash flow from operating activities		**698 978**	618 721
Cash flows from investing activities			
Acquisition of subsidiaries (including collective investment schemes)		**–**	(1 226 304)
Acquisition of intangible assets		**(45 394)**	(94 672)
Purchases of property and equipment		**(47 849)**	(23 527)
Disposal of subsidiaries (including collective investment schemes)		**1 817**	(32 100)
Proceeds from disposal of assets and liabilities held for sale		**–**	7 169
Proceeds from disposal of intangible assets		**10 845**	9 322
Deferred consideration paid for acquisition of businesses		**(23 521)**	–
Other		**1 981**	41
Net cash flow from investing activities		**(102 121)**	(1 360 071)
Cash flows from financing activities			
Dividends paid		**(287 731)**	(262 989)
Acquisition from non-controlling interest		**(431)**	(54 011)
Increase in borrowings		**570**	–
Repayment of borrowings		**(100 000)**	(742)
Lease liabilities paid – principal portion		**(36 910)**	–
Shares issued	8.3	**15 326**	111 920
Shares repurchased and cancelled		**(13 691)**	–
Treasury shares sold by subsidiary		**92 057**	198 245
Purchase of treasury shares		**(146 322)**	(234 268)
Net cash flow from financing activities		**(477 132)**	(241 845)
Net increase/(decrease) in cash and cash equivalents		**119 725**	(983 195)
Cash and cash equivalents at the beginning of the year		**945 442**	1 920 626
Exchange gains on cash and cash equivalents		**8 486**	8 011
Cash and cash equivalents at the end of the year[1]		**1 073 653**	945 442
[1] *Includes the following:*			
Clients' cash linked to investment contracts		**30 570**	8 085
Other client-related balances		**(1 276 792)**	(911 483)
Total client-related cash and cash equivalents		**(1 246 222)**	(903 398)

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 6.8 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 29 February 2020

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 29 February 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

The condensed consolidated preliminary financial statements are prepared in accordance with the JSE Limited (JSE) Listings Requirements for preliminary reports and the requirements of the Companies Act, No. 71 of 2008, as amended. 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. These condensed consolidated preliminary financial statements were prepared under the supervision of the chief financial officer, Mike Smith, CA(SA). PSG Konsult's external auditor, PricewaterhouseCoopers Inc., reviewed these condensed consolidated preliminary financial statements and their unmodified review conclusion is presented on page 7. Any reference to future financial performance included in these condensed consolidated preliminary financial statements has not been reviewed by or reported on by PSG Konsult'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 2019, except for the mandatory adoption of IFRS 16 – Leases. The group has applied the standard retrospectively without restating comparative figures. Refer to note 12 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 2019.

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, but comprehensive range of local and global investment products. The division's products include both local and international unit trust funds.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 29 February 2020

6. SEGMENT INFORMATION (continued)

6.1 Description of business segments (continued)

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

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

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

6.2 Headline earnings per reportable segment

For the year ended 29 February 2020 (Reviewed)	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**

For the year ended 28 February 2019 (Audited)	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

[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.*

6. SEGMENT INFORMATION (continued)

6.3 Income per reportable segment

For the year ended 29 February 2020 (Reviewed)	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)**

For the year ended 28 February 2019 (Audited)	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)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 29 February 2020

6. SEGMENT INFORMATION (continued)

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 29 February 2020 (Reviewed)	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**

For the year ended 28 February 2019 (Audited)	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

1 *Finance costs in the PSG Wealth division consist mainly of the finance charge on the loan facilities provided to clients on their share portfolios at PSG Securities (secured by the underlying JSE Top 100 equity securities held in excess of four times the value of the loan facilities) on which PSG Wealth receives a margin. The finance costs of R37.5 million (2019: R22.1 million) consist of R4.6 million (2019: R9.8 million) on the loan funding, with the remaining portion of the finance charge on the CFD margin, lease liabilities and the bank overdrafts.*

6. SEGMENT INFORMATION (continued)

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 29 February 2020 (Reviewed)	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, 3]	**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, 4]	**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 *The increase in other assets and other liabilities, from the comparative year, is primarily due to the inclusion of the right-of-use assets of R248.2 million and lease liabilities of R305.0 million recognised due to the adoption of IFRS 16. Refer to note 12 for further details.*

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

6. SEGMENT INFORMATION (continued)

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

As at 28 February 2019 (Audited)	Total IFRS reported R000	Own balances R000	Client-related balances R000
ASSETS			
Equity securities	2 353 387	16 444	2 336 943
Debt securities	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[1]	1 690 828	369 874	1 320 954
Derivative financial instruments	10 592	–	10 592
Cash and cash equivalents (including money market funds)[1]	945 442	1 848 840	(903 398)
Other assets[2]	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[3]	112 314	1 725	110 589
Investment contracts	25 932 120	–	25 932 120
Third-party liabilities arising on consolidation of mutual funds[1]	27 350 796	–	27 350 796
Derivative financial instruments	13 973	–	13 973
Trade and other payables[1]	2 153 524	851 333	1 302 191
Other liabilities[4]	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] *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, intangible assets, investment in joint ventures, current and deferred income tax assets, loans and advances, reinsurance assets and deferred acquisition costs.*
[3] *The DMTN programme funding raised in order to internally fund the clients' Scriptfin loans has been reflected under client-related balances.*
[4] *Other liabilities consist of deferred reinsurance acquisition revenue, current and deferred income tax liabilities and insurance contracts.*

6. SEGMENT INFORMATION (continued)

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 29 February 2020 (Reviewed)	Total IFRS reported R000	Core business R000	Linked investment business and other R000
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.*

6. SEGMENT INFORMATION (continued)

6.6 Income statement (client vs own) (continued)

For the year ended 28 February 2019 (Audited)	Total IFRS reported R000	Core business R000	Linked investment business and other R000
Revenue from contracts with customers and other operating income[1]	3 361 163	3 450 885	(89 722)
Investment income[2]	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)
Net insurance premium revenue	936 761	936 761	–
Total income	4 571 333	4 603 577	(32 244)
Insurance claims and loss adjustment expenses	(803 746)	(803 746)	–
Other[1,3]	(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] *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.*

6.7 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:

	Reviewed Year ended 29 Feb 20 R000	Audited Year ended 28 Feb 19 R000
Revenue from contracts with customers		
Brokerage	**207 258**	209 778
Commission, administration and other fees[1]	**2 169 204**	1 908 996
Management and performance fees	**1 135 033**	1 142 631
Policy administration fees	**86 585**	72 674
Other operating income		
Reinsurance commission income[1]	**136 883**	106 233
Other	**18 391**	10 573
	3 753 354	3 450 885

[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.*

6. SEGMENT INFORMATION (continued)

6.8 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 625.7 million (2019: R1 278.0 million) represents amounts owing by the JSE for trades conducted during the last few days before the end of the year. The 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.

For the year ended 29 February 2020 (Reviewed)	Total IFRS reported R000	Own balances R000	Client-related balances R000
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**	**–**
	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 FINANCIAL STATEMENTS

for the year ended 29 February 2020

6. SEGMENT INFORMATION (continued)

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

For the year ended 28 February 2019 (Audited)	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 received	1 404 489	209 819	1 194 670
Dividends received	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 the 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 the 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.*

7. INVESTMENT CONTRACTS

Investment contracts are represented by the following financial assets:

	Reviewed as at 29 Feb 20 R000	Audited as at 28 Feb 19 R000
Equity securities	**2 096 939**	2 176 799
Debt securities	**370 911**	368 466
Unit-linked investments	**24 180 202**	23 362 722
Investments in investment contracts	**15 587**	16 048
Cash and cash equivalents	**30 570**	8 085
	26 694 209	25 932 120

8. NOTES TO THE STATEMENT OF CASH FLOWS

8.1 Acquisition of subsidiaries (including collective investment schemes) 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 for the year ended 28 February 2019.

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 for the year ended 28 February 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 29 February 2020

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

8.1 Acquisition of subsidiaries (including collective investment schemes) (continued)

For the year ended 28 February 2019 (continued)

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 businesses.

The fair value of the assets and liabilities arising from the acquisitions 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.

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

8.2 Disposal of subsidiaries (including collective investment schemes)

For the year ended 29 February 2020

Subsidiaries

PSG Konsult Limited, through its subsidiary PSG Distribution Holdings Proprietary Limited, disposed of its investment in the PSG Optimum Group for a consideration of R2.5 million. The profit of R1.6 million resulting from the sale has been disclosed as part of 'revenue from contracts with customers and other operating income'.

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.

8.3 Shares issued

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

	Reviewed Year ended 29 Feb 20 R000	Audited Year ended 28 Feb 19 R000
Issue of ordinary shares[1]	**24 145**	220 768
Loss on issue of shares in terms of share scheme	**(8 819)**	(108 848)
Cash inflow	**15 326**	111 920

[1] *The decrease in the number of shares issued during the current year compared to the prior year was due to the existing treasury shares, held by the PSG Konsult Group Share Incentive Trust, primarily being utilised for the share scheme obligations.*

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 29 February 2020

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

8.4 Other acquisitions – standardising of revenue sharing model

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.

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.

9. 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 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 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 229.5 million (2019: R2 353.4 million) are quoted equity securities of R2 219.3 million (2019: R2 353.1 million), of which R2 096.9 million (2019: R2 176.8 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 R24 180.2 million (2019: R23 362.7 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 R370.9 million (2019: R368.5 million) and do not expose the group to interest rate risk. Cash and cash equivalents linked to policyholder investments amounted to R30.6 million (2019: R8.1 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.

9. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

The table below analyses financial assets and liabilities, which are carried at fair value, by valuation method. There were no significant changes in the valuation techniques and assumptions applied since 28 February 2019.

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 29 February 2020 (Reviewed)	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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 29 February 2020

9. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

As at 28 February 2019 (Audited)	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
Own balances	16 204	1 996 524	28 111	2 040 839
Client-related balances	3 212 966	49 382 837	426 988	53 022 791
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
Own balances	–	–	91 655	91 655
Client-related balances	–	52 803 353	435 129	53 238 482

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

	Reviewed 29 Feb 20 R000	Audited 28 Feb 19 R000
Assets		
Opening carrying value	**455 099**	717 377
Additions	**121 445**	229 809
Disposals	**(306 234)**	(523 353)
Gains recognised in profit or loss[1]	**39 535**	31 266
Closing carrying value	**309 845**	455 099
Liabilities		
Opening carrying value	**526 784**	743 490
Additions	**153 934**	311 940
Settlements	**(377 146)**	(611 564)
Subsidiaries acquired	**–**	51 931
Losses recognised in profit or loss[2]	**37 993**	30 987
Closing carrying value	**341 565**	526 784

[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.

9. 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:

	Reviewed 29 Feb 20 R000	Audited 28 Feb 19 R000
Assets		
Debt securities		
– Carrying value	**–**	66 548
– Fair value	**–**	65 540
Liabilities		
Investment contracts		
– Carrying value	**–**	58 407
– Fair value	**–**	57 523

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

10. RELATED-PARTY TRANSACTIONS

Related-party transactions similar to those disclosed in the group's annual financial statements for the year ended 28 February 2019 took place during the financial year.

11. 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. Refer to page 6 for the group's response to COVID-19.

12. ADOPTION OF NEW ACCOUNTING STANDARDS

IFRS 16 – Leases introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The group has adopted IFRS 16 retrospectively from 1 March 2019, using the modified retrospective approach. Comparatives are not restated under this approach. The cumulative effect of adopting this standard is recognised as an adjustment to retained earnings at the beginning of the current year.

The group leases various corporate and adviser offices, the terms and conditions of which are negotiated on an individual basis. Extension and termination options are included in a number of leases across the group. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options are only included in the lease term if the lessee is reasonably certain to extend the lease. Each lease generally imposes a restriction that the property can only be used by the group unless permission is given by the lessor to sublet, and that the buildings must be returned to their original condition at the end of the lease.

On transition to IFRS 16, the group recognised lease liabilities in relation to leases that were previously accounted for as operating leases in terms of IAS 17. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 March 2019. The weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 10.2%.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 29 February 2020

12. ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

The following is a reconciliation of the operating lease commitments as at 28 February 2019 to the lease liabilities recognised on 1 March 2019:

	R000
Operating lease commitments disclosed as at 28 February 2019	236 727
Recognition exemption in respect of short-term leases	(4 897)
Extension and termination options reasonably certain to be exercised	116 198
Leases committed to with a commencement date after 1 March 2019	(105 844)
Other adjustments relating to commitment disclosures	7 852
Operating lease liabilities before discounting	250 036
Discounting effect using the incremental borrowing rate	(70 731)
Lease liabilities recognised under IFRS 16 at 1 March 2019	179 305

With the exception of the head office corporate lease, the group has elected to recognise the right-of-use assets equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease as at 28 February 2019. For the head office corporate lease, the right-of-use asset was calculated as if IFRS 16 had always been applied but discounted using the incremental borrowing rate at 1 March 2019. The standard allows this election to be made on a lease-by-lease basis. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

On transition to IFRS 16 on 1 March 2019, the impact on the statement of financial position was as follows:

	As previously stated R000	Impact of adoption of IFRS 16 R000	Balances after adoption of IFRS 16 R000
Right-of-use assets	–	150 393	150 393
Deferred income tax assets	101 091	4 882	105 973
Retained earnings	(1 451 251)	12 555	(1 438 696)
Lease liabilities	–	(179 305)	(179 305)
Trade and other payables	(2 153 524)	11 475	(2 142 049)

In applying IFRS 16 for the first time, the group has used the following practical expedients:

- for corporate office leases with a term of less than 12 months on 1 March 2019, the group applied the short-term exemption and accounted for the leases on a straight-line basis over the remaining lease term;
- the group elected not to include initial direct costs in the measurement of the right-of-use asset for the leases in existence at the date of initial application;
- hindsight has been used when considering whether to include renewal and termination options in the lease term; and
- instead of performing an impairment review on the right-of-use assets at the date of initial application, the group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

12. ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

The movement in the right-of-use assets and lease liabilities for the year ended 29 February 2020 was as follows:

	Right-of-use assets R000	Lease liabilities R000
Balance as at 1 March 2019	150 393	179 305
New leases	122 845	135 698
Finance costs	–	25 399
Depreciation	(51 935)	–
Payments	–	(62 309)
Other movements (including remeasurements, derecognitions and exchange differences)	26 917	26 871
Balance as at 29 February 2020	248 220	304 964

For the year ended 29 February 2020, the recurring headline earnings was negatively impacted by R4.4 million as a result of the adoption of IFRS 16.

The classification of the lease payments on the statement of cash flows, which were previously included within cash utilised from operations, has changed. The cash outflow has been split between the principal portion paid (presented within financing activities) and the finance costs paid (shown as an operating activity).

CORPORATE INFORMATION

Non-executive directors
W Theron (Chairman)
PJ Mouton
J de V du Toit^
PE Burton*
ZL Combi*
Z Matsau*
T Isaacs* *(Appointed 1 January 2020)*
A Sangqu* *(Appointed 1 January 2020)*
*(^ 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
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Date of the announcement
14 April 2020

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Listings
Johannesburg Stock Exchange (JSE)
Namibian Stock Exchange (NSX)
Stock Exchange of Mauritius (SEM)

Transfer secretary
Computershare Investor Services Proprietary Limited
Rosebank Towers
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Rosebank
2196

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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

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