



2021 **Integrated Report**

Our integrated report

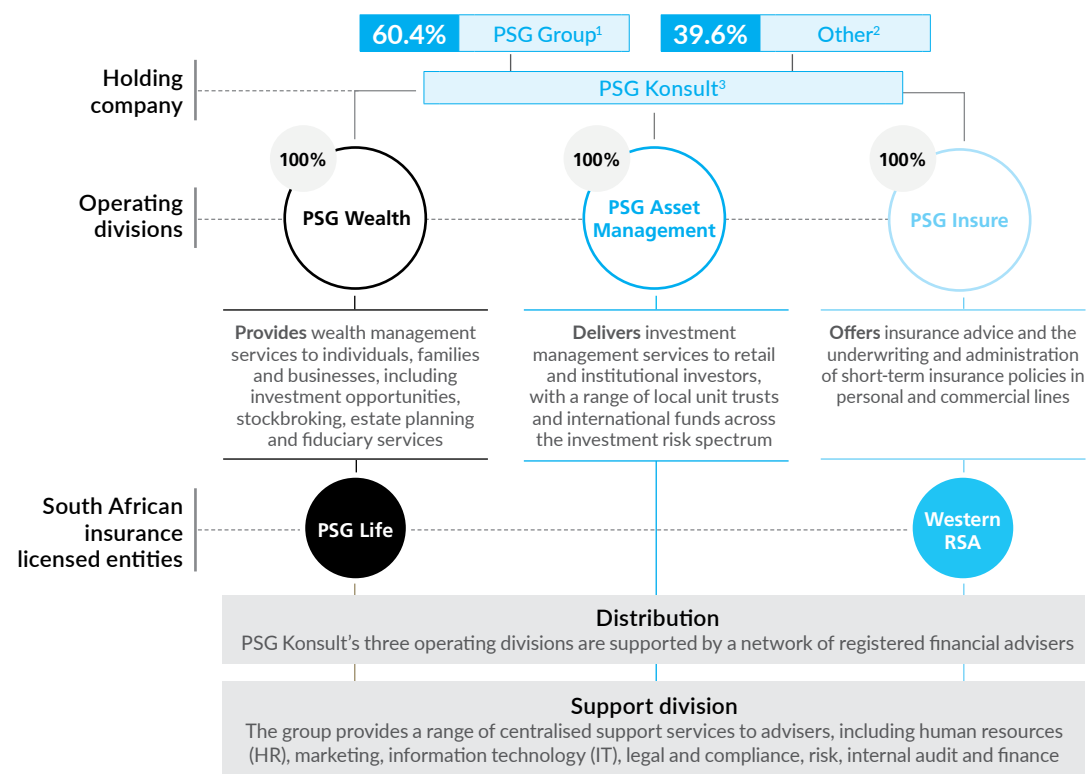
PSG Konsult is a leading registered financial services group

PSG Konsult Limited (PSG Konsult or the group) should be distinguished from PSG Group Limited (PSG Group), which is a separately listed entity and a 60.4% shareholder in PSG Konsult as at 28 February 2021.

Through three operating divisions, the group delivers a range of financial services and a suite of financial products. The group predominantly services individuals and companies in South Africa and Namibia.

The operating divisions are monitored and assessed through ongoing integrated reporting and internal assurance functions. This ensures risk management and regulatory compliance and drives operational and financial performance. Each division has its own board and executive committee (Exco), which are integrated into the group's governance structures. See the corporate governance report from page 61.

“PSG Konsult’s advice-focused business is founded on personal service, lifelong relationships with clients, integrity, trust and transparency. These values are encapsulated in the group’s core principles (see page 8).”



¹ PSG Group's holding net of treasury shares is 61.2%.

² PSG Konsult's directors, employees, advisers, institutional investors and members of the public.

³ Includes the PSG Konsult support functions.

PSG Konsult listed on the JSE Limited's (JSE's) Equity Market on 15 June 2014. The primary listing was followed by a secondary listing on the Namibian Stock Exchange (NSX) on 16 July 2014, and a secondary listing on the Stock Exchange of Mauritius (SEM) on 27 November 2018. The group, through its wholly owned subsidiary, PSG Konsult Treasury Limited (PSG Konsult Treasury), concluded its maiden listing on the JSE's Interest Rate Market in 2017.

Our 2021 financial year performance

CORE INCOME (Rm)

^ 4%	2021 5 268	2020 5 069	2019 4 604
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RECURRING HEADLINE EARNINGS PER SHARE (cents)

^ 10%	2021 52.7	2020 48.1	2019 44.6
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REVENUE GENERATED IN SOUTH AFRICA (%)

92.6%	2021 92.6	2020 93.1	2019 93.1
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ASSETS UNDER MANAGEMENT (Rbn)

^ 17%	2021 268	2020 230	2019 222
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GROSS WRITTEN PREMIUM (Rm)

^ 1%	2021 5 509	2020 5 472	2019 4 498
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RETURN ON EQUITY (%)

20.4%	2021 20.4	2020 20.5	2019 21.5
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ASSETS UNDER ADMINISTRATION (Rbn)

✓ 1%	2021 392	2020 397	2019 422
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RECURRING HEADLINE EARNINGS (Rm)

^ 9%	2021 704	2020 644	2019 591
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DIVIDEND PER SHARE (cents)

^ 9%	2021 24.5	2020 22.5	2019 20.5
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COMPOUND GROWTH RATE

22%
in recurring headline earnings since 2011

CREDIT RATING

During October 2020 Global Credit Rating Company (GCR) affirmed PSG Konsult Limited's national scale long- and short-term issuer ratings of A(ZA) and A1(ZA), respectively, with a stable outlook

ADVISERS

932
situated in 263 adviser offices throughout South Africa and Namibia

MARKET CAPITALISATION

R12.1 billion
at 28 February 2021

PROFESSIONAL ASSOCIATES

413

SHAREHOLDERS

3 384

EMPLOYEES

2 936

CLIENT COMPLEMENT

>390 000 across offices

The group is proud of the operating divisions' industry awards

PSG Wealth

2020 Raging Bull Awards:

- The PSG Wealth Global Flexible Fund of Funds won Best (FSCA-approved) Offshore Global Asset Allocation Fund on a risk-adjusted performance basis (over five years)

Intellidex 2020 Top Private Banks and Wealth Manager of the Year Awards:

- Awarded Wealth Manager of the Year: Large Institutions for a second year in a row. The division delivered a strong showing across all categories, including winning the Top Relationship Manager category

Intellidex 2020 Top Stockbrokers Awards:

- Top Relationship Manager of the Year

PSG Insure

2019 Santam National Broker Awards:

- PSG Insure was named overall winner as Santam National Broker of the Year for performance excellence in commercial lines, personal lines, specialist business and portfolio administration

2020 Old Mutual Insure Awards:

- For the second year in a row, PSG Insure was named overall winner as Top National Broker

2020 CIB Broker Awards:

- For the fourth year in a row, PSG Insure Meesterplan won the top prize as Diamond Broker of the Year

Presenting our 2021 integrated report

This integrated report (report) has been developed to enable PSG Konsult stakeholders to make an informed assessment about our ability to create value over time.

This report reflects the activities and performance of PSG Konsult for the financial year from 1 March 2020 to 28 February 2021. All references to the year mean the financial year, unless otherwise stated.

This report is our primary report to our stakeholders. It is principally aimed at providers of financial capital – our shareholders. However, it considers the information needs of all our stakeholders.

The board is confident that this report provides stakeholders with an accurate and balanced view of the group's activities over the short, medium and long term. It further addresses the material matters faced by the group.

The scope of this report is in line with PSG Konsult's operational and governance approach and includes the integrated financial

and non-financial performance of the three operating divisions and the South African insurance licensed entities, which are subject to group supervision by the Prudential Authority (PA) in South Africa. It contains relevant comparisons to previous periods as well as detailed divisional reviews.

As a wholly owned subsidiary in the group, PSG Konsult Treasury has adopted a board charter in line with the principles of the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV)¹ and the JSE Listings Requirements pertaining to debt issuers.

The report is part of a suite of publications the group produces to best meet the needs of various stakeholders. The publications are available at: www.psg.co.za/investor-relations/overview.

PSG Konsult integrated report	The group and company annual financial statements	PSG Konsult Limited notice of annual general meeting (AGM) (to be published in June 2021)	PSG Konsult King IV principles disclosure register	PSG Konsult Treasury annual financial statements and Domestic Medium Term Note (DMTN) programme memorandum
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Reporting compliance

This report was prepared according to relevant regulations, standards and best practice. PSG Konsult aligns its reporting with the following reporting requirements and principles:

- International Financial Reporting Standards (IFRS) and the International Financial Reporting Interpretations Committee's (IFRIC's) Interpretations
- The South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee
- Financial Pronouncements as issued by the Financial Reporting Standards Council
- The Companies Act, No. 71 of 2008, as amended (Companies Act)
- The JSE Listings Requirements
- The International Integrated Reporting Council's (IIRC's) Integrated Reporting <IR> Framework, 2013
- King IV
- The Financial Sector Charter

How the elements in this report are assured

The group uses a combined assurance model.

Read more in the corporate governance report on page 83.

Element	Assurance
Financial and non-financial content and data	Ongoing internal assurance, with the support of established divisional reporting lines and oversight by the chief financial officer (CFO)
Internal controls and business risks that fall within the scope of the integrated report	Independently assessed and reviewed by the group's risk and internal audit functions
The consolidated and separate annual financial statements	External assurance by the independent auditor, PricewaterhouseCoopers Inc.
The broad-based black economic empowerment (BBBEE) status of the group	Verified, rated and confirmed by rating agency, AQRate Proprietary Limited (AQRate)

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Forward-looking statements

This report contains certain statements that are not historical facts and are based on forecasts of future results that are not yet determinable. It also contains certain forward-looking statements which relate to the possible future performance and financial position of the group.

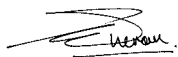
The group cannot give any assurance that forward-looking statements will prove to be correct and readers should not place undue reliance on these statements. Forward-looking statements involve inherent risk, uncertainties and – if one or more of these risks materialise, or the underlying assumptions prove to be incorrect – actual results may differ from those expected.

Forward-looking statements apply only from the date on which they are made. PSG Konsult does not undertake any obligation to update or revise any forward-looking statements contained in this report, other than as required by the JSE Listings Requirements, whether due to new information, future events or otherwise.

Approval by the PSG Konsult board of directors

The board acknowledges its responsibility to ensure the integrity, accuracy and fairness of PSG Konsult's 2021 integrated report.

The board of directors, assisted by the audit committee, is responsible for the content of this report. The directors have collectively applied their minds to the content and evaluated the preparation and presentation, while acknowledging that the reporting process continues to evolve. The content of the integrated report was approved on 17 May 2021 and is signed on behalf of the board by:



Willem Theron
Chairman



Francois Gouws
Chief executive officer



Mike Smith
Chief financial officer

Reader's tips and feedback

- Where industry-specific terms or abbreviations are not explained in the body of the integrated report, refer to the glossary in annexure D.
- References to notes refer to the notes to the group financial statements.
- A downloadable version of this report can be found on <https://www.psg.co.za/investor-relations/overview>.
- PSG Konsult values feedback on the integrated report from stakeholders. Please send comments or requests for further information to: mike.smith@psg.co.za or engage with us on:



www.facebook.com/PSGKonsult/



www.twitter.com/PSGKonsult



www.linkedin.com/company/psg-konsult/



www.youtube.com/user/PSGKonsultLtd

“We are inspired to make a difference in the lives of all our stakeholders, by creating and preserving wealth through excellence.”





Contents

7	A profile of PSG Konsult
8	The values that underpin our business
9	Reasons to invest in PSG Konsult
14	Business model and capitals
24	Stakeholders
41	The 2021 financial year
42	Investing in a low growth environment
44	Our strategy
46	CEO and CFO report
50	Divisional reports
61	Corporate governance
62	Message from the chairman
64	Overview
67	Board of directors
72	Governance structure and reports
86	Risk report
91	Remuneration report
103	Annual financial statements





A profile of PSG Konsult

8	The values that underpin our business
9	Reasons to invest in PSG Konsult
14	Business model and capitals
24	Stakeholders

The values that underpin our business

We pride ourselves on being the stewards of our clients' financial lives, protecting and growing their assets in turbulent times.

Our vision

To be the leading registered financial services group in southern Africa and selected regions abroad.

Our mission

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

The seven core principles we apply across the group

Our clients are our priority	1	We undertake to advise clients with the highest level of good faith, integrity, professional knowledge and diligence at all times.
Our people are our strength	2	We will always prefer internal promotion and, when we hire externally, we will hire the best people. They must have the capacity and the capability to integrate into our organisation. We accept that this means wider internal review and consultation during the hiring process. We take responsibility for this process. We will not compromise on the quality of employees. We believe in a culture of performance and meritocracy, where income, promotion and progression are based on individual excellence and the overall betterment of our group.
We are a team	3	We believe that providing excellent service to our clients and building a great business is a team effort. In our group, 'we' and 'our' take precedence over 'I' and 'my'. We believe in clear lines of responsibility and the ownership of decisions, but we always seek to use the available skills to be informed on business matters.
We will provide clients with the best products, backed by superb systems	4	Our entire approach is based on building multi-generational relationships with families and forging long-term ties with organisations we serve. We believe that long-term service is dependent on skilled and reliable employees.
Growth is part of our DNA	5	We prefer organic to acquisitive growth and will only acquire a business if there are clearly definable synergies and a strategic rationale, the people are culturally aligned with our own, the business can be integrated immediately, the price is acceptable, and we have completed due diligence. Even then we understand that one unit of additional acquired revenue is almost always riskier than an equivalent unit of organic revenue. We believe in analysis of business matters and detailed preparation. At the heart of this thinking is the fact that any business issue can be quantified, measured and managed. We accept that decisions sometimes must be made without perfect information. We are not afraid to make decisions in these circumstances. We aim to get most decisions right but accept that, despite our best intentions, things can and will go wrong. We are not afraid to analyse and admit errors or mistakes. Indeed, we believe it is the only way to learn.
We will adapt to the constantly changing business environment	6	Creativity and innovation are at the heart of our business model. We aim to identify new trends and potential risks. Looking to and attempting to understand the future ensures we are not hostage to short-term budgets and current organisational structures. We embrace any change that new information requires.
We are first and foremost a South African group	7	We want to be a good corporate citizen that will seek ways to contribute to the betterment of our country. We undertake to comply with legislation and regulations.

Reasons to invest in PSG Konsult

Strong financial position

PSG Konsult has no interest-bearing debt at 28 February 2021.

During October 2020, GCR affirmed PSG Konsult Limited's South Africa national scale long- and short-term issuer ratings of A(ZA) and A1(ZA), respectively, with a stable outlook.

PSG Konsult remains strongly capitalised, with a capital cover ratio of 213% (2020: 191%) based on the latest insurance group return. This capital cover ratio substantially exceeds the required minimum of 100%.

Our approach to investing shareholder assets, supporting regulatory capital requirements, remains prudent and ensures that the group has a strong balance sheet and excellent liquidity.

Read more in the CEO and CFO report on pages 46 to 48.

A trusted distribution network that rewards clients

We have a formidable network of registered advisers in South Africa and Namibia.

Clients trust PSG Konsult advisers and our adviser remuneration model encourages client retention and long-term growth. This ensures the alignment of shareholder and adviser interests.

We continually enhance our talent pipeline through bursary and learnership programmes to empower young South Africans to become advisers and add to our pool of quality advisers.

Read more on our advisers from page 25.

Clear and scalable growth prospects

The group has a relatively small market share with growth potential across our markets.

PSG Konsult's solid business foundation supports the expansion of our existing adviser network and potential strategic acquisitions. The group's leverage means we will generate higher margins as we gain scale. Our holistic financial services product range meets a broad spectrum of client needs, creating cross-selling opportunities and synergies.

Our investments in technology allow us to support sustained growth with minimal adjustments to our cost base. We continue to reap the benefits of increased automation and improved data analytics.

An established, respected and trusted brand

PSG Konsult is committed to brand awareness and enhancement.

We are well positioned in the marketplace as a leading financial services firm with a network of experienced financial advisers. Our divisions benefit from the exposure and brand awareness that comes from being part of a broader group.

We remain relevant and visible to potential clients through advertising and marketing activities. We continue to invest in brand development in line with the group's growth. This included digital initiatives such as the popular Think Big webinar series.

See page 1 for detail on the industry awards won by our operating divisions.

A track record that demonstrates long-term financial partnership

PSG Konsult's conservative investment approach means the group has a proven ability to make the most of every rand earned relative to the acceptable level of risk taken.

This approach is based on the group's 'three layers of defence' risk management methodology, which has led to a history of superior shareholder returns and demonstrable asset and premium growth over time.

PSG Konsult creates wealth for its shareholders by delivering share price appreciation and paying dividends. The group's long-term performance is measured by the total return index (TRI). TRI is the compound annual growth rate (CAGR) of an investment. It is calculated using share price appreciation, dividends and other distributions. This is a sound measure of wealth creation and a reliable means of benchmarking different companies.

Creating consistent shareholder value since 2005

PSG Konsult has substantially outperformed the Financial Times Stock Exchange (FTSE)/JSE All Share Index (ALSI) TRI over 16 years to 28 February 2021.

If R100 000 had been invested in PSG Konsult shares on the day over-the-counter (OTC) trading commenced in 2005, and if dividends and other distributions received had been reinvested, this amount would be worth R4.4 million on 28 February 2021, at a CAGR of 27% (20% in US dollar terms).

Date	Number of PSG Konsult shares	PSG Konsult investment R	Annual growth in investment %	JSE ALSI TRI	JSE ALSI investment R	Annual growth in investment %
11/04/2005	250 000	100 000		1 311	100 000	
28/02/2006	260 725	286 797	187	1 926	146 929	47
28/02/2007	297 398	490 706	71	2 670	203 678	39
29/02/2008	309 914	526 854	7	3 255	248 335	22
28/02/2009	327 703	426 014	(19)	2 032	154 988	(38)
28/02/2010	351 652	509 895	20	3 013	229 848	48
28/02/2011	373 653	597 845	17	3 723	284 027	24
29/02/2012	395 168	790 336	32	4 082	311 393	10
28/02/2013	422 411	1 203 871	52	4 870	371 546	19
28/02/2014	435 546	2 177 731	81	5 981	456 251	23
28/02/2015	441 856	3 190 197	46	6 946	529 912	16
29/02/2016	447 709	3 080 237	(3)	6 643	506 779	(4)
28/02/2017	455 295	3 419 266	11	7 061	538 627	6
28/02/2018	462 322	4 022 205	18	8 292	632 573	17
28/02/2019	469 330	5 040 607	25	8 218	626 884	(1)
29/02/2020	477 453	3 771 876	(25)	7 749	591 116	(6)
28/02/2021	489 074	4 396 771	17	10 321	787 380	33
CAGR %			27			14

A seven-year financial view

	2021 R000	2020 R000	2019 R000	2018 R000	2017 R000	2016 R000	2015 R000
Income	5 250 142	5 057 010	4 571 333	4 203 640	3 843 072	3 501 676	3 014 600
Profit before taxation	1 071 427	1 004 614	911 723	868 872	735 286	631 662	525 032
Taxation	(302 122)	(297 053)	(269 179)	(256 221)	(203 416)	(309 838)	(163 234)
Profit for the year	769 305	707 561	642 544	612 651	531 870	321 824	361 798
Headline earnings	696 635	644 408	603 888	566 396	486 439	292 302	339 261
Recurring	703 835	644 408	591 099	566 396	486 439	408 748	341 175
Non-recurring	(7 200)	-	12 789	-	-	(116 446)	(1 914)
Non-headline earnings	1 055	2 549	(1 714)	80	423	622	1 140
Attributable income	697 690	646 957	602 174	566 476	486 862	292 924	340 401
Earnings per share (cents)							
Headline	52.2	48.1	45.6	43.0	37.2	22.9	26.9
Recurring headline	52.7	48.1	44.6	43.0	37.2	32.1	27.0
Recurring headline (excluding intangible asset amortisation cost)	57.5	52.2	48.4	46.4	40.4	34.6	29.4
Attributable	52.3	48.2	45.4	43.0	37.3	23.0	27.0
Dividend per share (cents)	24.5	22.5	20.5	18.0	15.3	13.2	12.0
Interim	8.0	7.5	7.0	5.7	5.1	4.4	4.0
Final	16.5	15.0	13.5	12.3	10.2	8.8	8.0
Weighted average shares (000)	1 334 574	1 340 925	1 325 094	1 317 643	1 307 103	1 274 163	1 261 394
Actual shares in issue (000)	1 340 930	1 356 923	1 364 885	1 342 242	1 322 100	1 279 124	1 262 484
Market capitalisation (Rm)	12 059	10 729	14 659	11 678	9 929	8 800	9 115
Price (cents per share)							
Last day of trade	899	790	1 074	870	751	688	722
Highest	999	1 085	1 110	940	850	950	790
Lowest	431	701	860	750	640	635	500
Trading volume (number of shares) (000)	127 423	111 952	83 533	91 863	111 726	114 094	61 842
Trading value (Rm)	966	1 070	813	767	783	904	429
Net asset value per share (cents)	272.3	247.0	223.6	190.1	164.0	132.2	118.3
Assets under administration (Rbn)	392.3	396.9	421.5	402.1	371.1	327.1	308.7
Assets under management (Rbn)	267.9	229.8	222.2	205.4	175.3	154.1	132.5

The major events that have shaped our history¹

PSG Konsult's business journey began in 1998 with the vision of creating an extensive network of leading financial advisers who grow and protect the wealth of the clients they serve.

We pride ourselves on our multi-generational relationships with families and our ability to forge long-term ties with the organisations we serve.

Extended growth phase

2021

- Licensing of PSG Konsult as the controlling company of the PSG Konsult Insurance Group formally approved by the Prudential Authority.
- The PSG Wealth Global Flexible Fund of Funds won Best (FSCA-approved) Offshore Global Asset Allocation Fund on a risk-adjusted performance basis (over five years) at the 2020 Raging Bull Awards.

2020

- PSG Konsult donated R10.0 million to the South African Solidarity Fund to help minimise the impact of the Coronavirus Disease 2019 (COVID-19) on society.
- PSG Wealth was named Wealth Manager of the Year: Large Institutions at the Intellidex 2020 Top Private Banks and Wealth Managers of the Year Awards.
- PSG Insure was named overall winner as the 2019 Santam National Broker of the Year.
- For the second time in a row, PSG Insure was named overall winner as the Top National Broker at the Old Mutual Insure Awards.
- The robustness of our capital and liquidity positions enabled us to maintain our dividend policy and credit rating.

2019

- PSG Konsult's credit rating was upgraded to A(ZA) long-term and A1(ZA) short-term.
- PSG Konsult negotiated the early redemption of the R100.0 million notes issued under the DMTN programme, established in 2017.
- PSG Insure successfully integrated 144 new insurance advisers following the acquisitions of AIFA's commercial and industrial short-term insurance and the personal lines short-term insurance brokerage businesses.
- PSG Wealth awarded Top Wealth Manager of the Year: Large Institutions at the Intellidex Top Private Banks and Wealth Managers of the Year Awards during June 2019.
- PSG Insure was named overall winner as Top National Broker at the 2019 Old Mutual Insure Awards.
- The group upgraded its stockbroking platform by implementing and adopting IRESS, a world-renowned trading and portfolio management system.

2018

- PSG Insure concluded an agreement to acquire the remaining personal lines short-term insurance face-to-face advisory brokerage business from AIFA.
- PSG Wealth acquired 28E Capital brokerage.
- The PSG Konsult board oversaw the incorporation of the King IV principles.
- PSG Konsult was approved for a secondary listing on the SEM and commenced dealings on the official market of the SEM on 27 November 2018.
- PSG Konsult established Western Insurance Botswana and Western Life Insurance Botswana
- PSG Insure concluded an agreement to acquire the remaining 40% shareholding in the Western Group Namibian entities from Santam.
- The group disposed of its 70% shareholding in the Mauritius-based wealth advisory and stockbroking business.

2017

- PSG Insure concluded an agreement to acquire Absa Insurance and Financial Advisers Proprietary Limited's (AIFA's) commercial and industrial short-term insurance brokerage business in September 2017.
- The group obtained JSE approval to establish a DMTN programme.
- The group accelerated investment in technology and systems, and strengthened the PSG Wealth investment team and the internal audit function.
- PSG Konsult implemented a group-wide risk appetite statement.

¹ Dates provided refer to calendar years.

Growth phase

2016

- PSG Konsult acquired the stockbroking business, Ramet & Associés Ltée.
- PSG Konsult's long-term investment grade credit rating was upgraded to A-(ZA).

2015

- PSG Konsult established an internal audit function.
- The group acquired a 70% shareholding in DMH Associates, a Mauritius-based wealth advisory and stockbroking business.

2014

- PSG Konsult formalised its risk management functions and embedded its three layers of defence governance structure
- PSG Konsult listed on the JSE and NSX.

2013

- The group restructured, streamlining multiple business units into three divisions.
- PSG Konsult acquired the remainder of Western Group in two transactions and subsequently disposed of 40% of its shareholding to Santam.

Development phase

2005

- Shares in PSG Konsult were made available to the public through an OTC trade platform.

2003

- PSG Konsult acquired a 51% interest in PSG Konsult Namibia, increasing its shareholding in 2014 and 2015 to 58%.

1998

- PSG Group acquired a 50% shareholding in PSG Konsult.

2006

- PSG Konsult acquired 100% of Online Securities (today known as PSG Securities) from PSG Group.

2008

- PSG Konsult acquired 49% of the shareholding in PSG Konsult Nhluvuko (today known as PSG Employee Benefits) in an empowerment deal, increasing its shareholding to 74% in 2010.

2011

- PSG Konsult acquired 100% of PSG Asset Management, including PSG Life and PSG Invest, from PSG Group.

2012

- PSG Konsult acquired 75% of Western Group over two transactions.

Acquisition phase

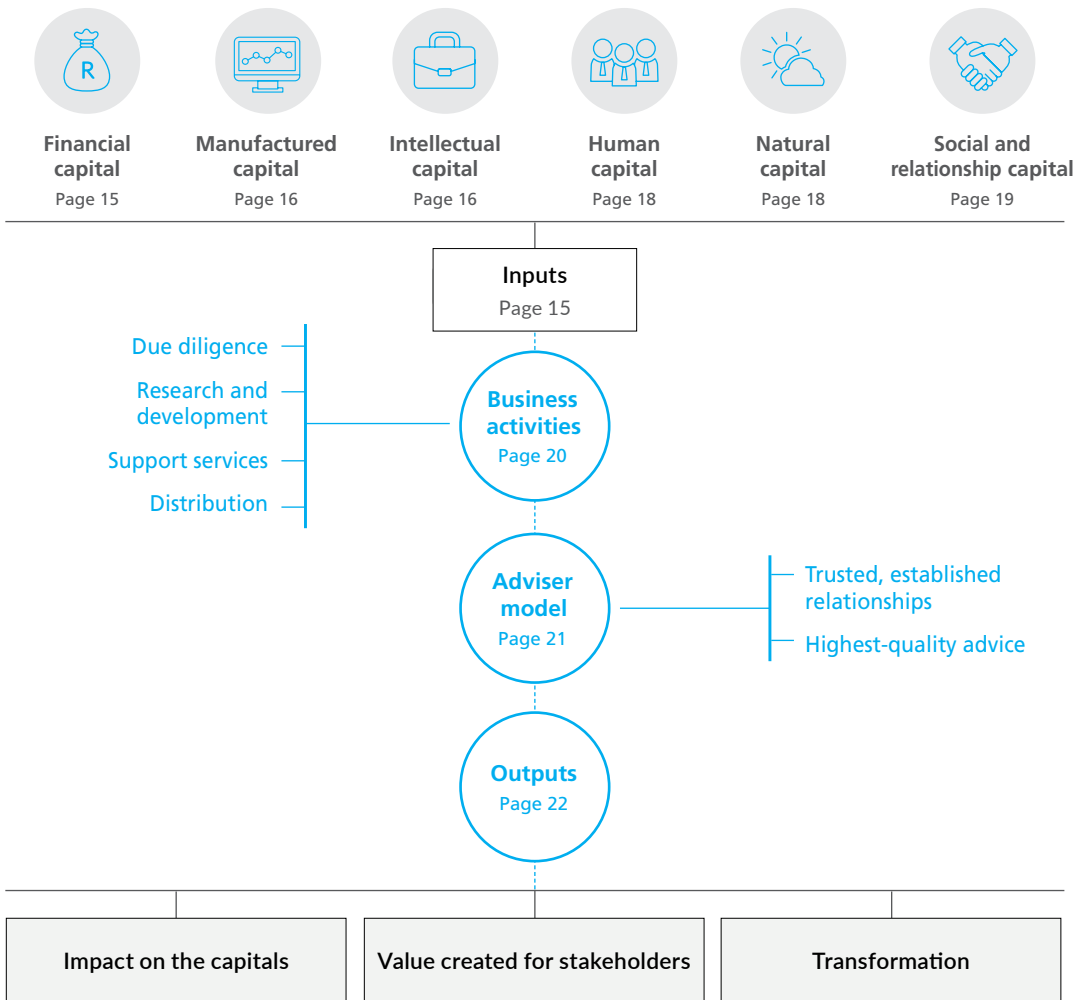
Business model and capitals

PSG Konsult creates value by generating sustainable, consistent, inflation-beating returns.

The group's business model is rooted in a conservative, long-term investment approach. Investors who remain invested throughout market cycles are rewarded. This enables a broad range of stakeholders to maintain and improve their livelihood.

The business model is built on a wide range of products and services and on connecting these with a receptive market. The group's core strength is its network of registered advisers, who distribute these products and services through their advisory capability and trusted, long-standing relationships with clients.

Adviser and client service experiences are supported by the group's integrated technology platforms and systems.



The capital inputs of value creation

PSG Konsult applies and transforms the six capital inputs to create value for stakeholders.

This process is based on the group's strategy and growth ambitions, which adhere to PSG Konsult's core business principles.



Financial capital

Constitutes available shareholder equity and debt funding.

Read more in the CEO and CFO report from page 46 and the annual financial statements from page 103.

Future availability of financial capital

PSG Konsult's central treasury function oversees and manages the group's financial capital. The investment committee determines the group's investment strategies and monitors the investment portfolio's performance. The group's credit committee regularly monitors the credit quality of the underlying assets. This centralised monitoring process allows the group to optimise capital allocation to meet business regulatory capital and growth initiative requirements.

PSG Konsult's investable shareholder assets are conservatively invested, as required by regulation, mainly in cash, money market funds and other collective investment schemes (CIS). These are well positioned to absorb market shocks and earn appropriate risk-adjusted returns. Shareholder funds are predominantly invested in instruments regulated by either the Reserve Bank or the Collective Investment Schemes Control Act, No. 45 of 2002. The group's investments in cash, money market or related instruments (on a see-through basis) exceeded 90% of investable shareholder assets at 28 February 2021.

In addition, PSG Konsult applied financial capital to, among other things:

- Improved IT infrastructure and digital platforms that enhance the adviser and client experience
- Increased adviser base and integration of new advisers into the group
- Online marketing including virtual events
- Premium relief to support insurance clients
- Funding of bursaries and learnerships

These investments increased manufactured, human, intellectual and social and relationship capital, which will deliver increased financial capital over the long term.

Strained macro-economic conditions in South Africa put pressure on financial capital. However, the group's strong financial capital position provides us with resilience in these challenging market conditions and the ability to respond quickly to investment opportunities.

PSG Konsult's focus remains on organic growth, although we will consider acquisitions that meet our investment criteria, including acceptable pricing, a compelling strategic rationale, clearly definable synergies and ease of integration.



Manufactured capital

Includes the group's physical footprint and the IT systems that support business activities.

Read more in the CEO and CFO report from page 46 and the IT governance section on pages 84 and 85.

Future availability of manufactured capital

Manufactured capital facilitates efficiency and improved service levels to advisers and clients. Investment in manufactured capital increases expenditure over the short term but ensures sustainable returns for the future. We consider this to be a worthwhile trade-off with sustainability.

The group sustained its investment (fully expensed) in systems and processes. This investment allowed PSG Konsult to seamlessly transition to a remote working environment with minimal disruption to productivity and client service.

PSG Konsult believes in servicing clients within reach of their homes. This requires offices and infrastructure in the territories where we operate, mainly South Africa and Namibia.

The group subscribes to open architecture (proprietary and third-party products) and stable systems. These are enablers for support function capability and adviser and client reach and convenience. The myPSG online platform and mobile application give clients and advisers a secure, consolidated view of their investments over various digital platforms. These platforms give us a significant competitive advantage.

We will continue to invest our financial capital in cyber security and data protection to improve our manufactured capital. Our investments detailed above are for the long term, so we expect the cost of future technology interventions to be at a lower rate.



Intellectual capital

Consists of intangible assets that give PSG Konsult a competitive edge and support its brand and reputation.

The group's product offering is listed on pages 22 and 23. Refer to page 39 for additional information on our regulatory licences.

An established brand

Intellectual capital includes the research and analysis behind PSG Konsult's investment approach and its ability to manage risk, comply with legislation and respond to market challenges. It also comprises a due diligence process to approve new products, services and acquisitions.

By applying this intellectual capital, PSG Konsult offers investors access to the group's own products and selected third-party products and services.

PSG Konsult operates under several regulatory licences, which allow the group to sell a wide range of products and services across multiple jurisdictions. The regulatory licence in Malta enables the group to market offshore funds compliant with the Undertakings for Collective Investment in Transferable Securities (UCITS) regulations to potential offshore investors.

The group uses its brand and reputation to help advisers grow their client base and to grow its direct business. Due to the serious impact that reputational damage can have, the brand is subject to governance. Consistency and quality are essential across client communications, including print publications, email and social media, and at adviser-hosted client events.



Intellectual capital (continued)

Print and electronic media

PSG Konsult's thought leadership includes quarterly publications by PSG Asset Management (Angles and Perspectives) and PSG Wealth (Wealth Perspectives). The group regularly takes stock of publications to ensure their value to advisers and clients. Additional publications address topical issues.

The past year, these included:

- Advice for Advisers: Documents to guide PSG Konsult advisers on some of the key questions clients ask about the general uncertainty regarding South Africa's prospects
- PSG Wealth's annual Investment Research and Strategy Report, which focused on investor uncertainty and the opportunities that can arise
- PSG Insure's Insights from Insure adviser newsletters

Digital and social media

PSG Konsult engages with advisers and clients on digital platforms including online tutorials, news, tools and webinars. The brand themes for 2021 were:

- Financial planning during COVID-19
- Diversification and offshore investing

The COVID-19 pandemic required us to rethink event management. The group continued to successfully interact with clients during the lockdown periods. While hosting large face-to-face events was not possible, we took the opportunity to increase email communications as well as webinars. Initiatives such as the successful Think Big series, featuring a collection of insightful conversations with prominent external speakers, enabled us to engage digitally with clients. Of notable interest was that the uptake to the webinar series was equally split between prospective and existing clients. During the current financial year the combination of face-to-face and webinar events reached approximately 60 000 advisers and clients combined. In addition, the Think Big series added considerable cost-effective public relations coverage and increased social media following.

The group helps advisers to attract clients by managing their online profiles to convey PSG Konsult's value proposition, showcase their expertise and use social media effectively.

Future availability of intellectual capital

The group invests in intellectual capital to manage risks and exploit opportunities ethically. This secures PSG Konsult's sustainability, ensures future returns, and contributes to our resilient reputation, which attracts clients and employees.



Human capital

Comprises the group's complement of employees and professional associates, and the network of advisers distributing the group's products and services.

Read more about our transformation plan and value created for PSG Konsult's employees and advisers in the stakeholder section on pages 25 to 27, 30 and 31.

Future availability of human capital

PSG Konsult is a complex financial services group and relies on the skills of its employees. The group's performance management and development frameworks encourage long-term retention and loyalty.

The social and ethics committee monitors group activities relating to sustainability and transformation. We are making good progress against our transformation plan. Employees receive equal advancement opportunities and work in a safe environment where they can fulfil their potential.

Developing a talent pipeline is essential, given the attractiveness of overseas opportunities for our skilled employees. We continually enhance our status as an employer of choice to retain scarce skills and compete for top talent. The rising cost of talent and the scarcity of key skills remains a risk for the group.

During the 2021 financial year, the group employed 65 newly qualified graduates (92% of whom are ACI candidates) as part of the core business operations and adviser force.

The investment in fair and competitive remuneration decreases financial capital over the short term but secures the availability of skills and service capacity for the group and the industry over the long term.

Human capital is developed through training and internship programmes. These learning programmes were mostly delivered digitally due to COVID-19.



Natural capital

Consists of the natural resources used in PSG Konsult offices.

While these natural resources are not formally measured, the nature of PSG Konsult's business does not have a significant negative impact on the environment.

PSG Konsult limits the use of electricity, paper and water in the office environment. The group's head office in Cape Town is rated a five-star green building, while the offices in Waterfall and Centurion are both four-star green buildings. The use of video-conferencing facilities at each of the major offices across the country reduces travel. The COVID-19 pandemic has accelerated a move to a more environmentally friendly approach with significantly less travel, more online events and less paper wastage.

In our asset management division, we have introduced an environmental, social and governance policy to help investment managers assess investee companies. See page 55.

Future availability of natural capital

The environmental limits on natural resources will affect business and individuals. We are working on enhancing our Task Force on Climate-related Financial Disclosures (TCFD) disclosure as part of our reporting processes.



Social and relationship capital

Made up of the network of internal and external relationships that constitute PSG Konsult's stakeholder universe.

Read more about PSG Konsult's stakeholders from page 24.

Future availability of social and relationship capital

The group values and invests in the growth of stakeholder relationships:

- PSG Konsult's clients have a strong relationship of trust with our advisers. The group's growing adviser network decreased by a net 3 advisers. In the PSG Wealth division, the group appointed 45 new wealth advisers, while the assets managed by the smaller advisers who left the group were transferred to other existing PSG advisers. Similarly, in the Insure division the 2% decrease in advisers is mainly due to smaller adviser rationalisation.
- PSG Konsult offers administrative and compliance support to advisers to free them up to focus on building valuable relationships with clients.
- The group participates in industry forums and is involved in supplier and enterprise development initiatives.
- Internship and learnership opportunities develop the next generation of employees.
- Corporate social investment (CSI) initiatives support social development and transformation.

We need to be mindful of changing investor requirements and meeting expectations in terms of responsible investment. This includes investors' increasing focus on climate change and the TCFD.

The group's proactive engagement with regulators helps maintain its 23¹ regulatory licences. We continue to stay up to date with regulatory requirements and enforce these among our network of advisers.

By transferring knowledge and improving employability, CSI initiatives expand the pool of future employees and clients for PSG Konsult.

¹ Subsequent to 28 February 2021, the number of regulatory licences decreased to 21 following the disposal of Western's short- and long-term insurance businesses in Botswana.

PSG Konsult's business activities

PSG Konsult's value proposition offers best-of-breed financial management solutions that meet client needs.



	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Number of advisers	744	784	932	935	932
PSG Wealth	515	539	546	559	563
PSG Insure	229	245	386	376	369
Number of offices	208	211	254	257 ¹	263

Source: PSG Distribution
¹ Number revised from 260 to 257.

PSG Konsult

- Distributes products and services
- Builds relationships with stakeholders
- Develops new products
- Provides support

Products and services

- Financial planning
- Investment options
- Trading platforms
- Insurance
- Employee benefits

Detail follows on pages 22 and 23.

Countries

- South Africa
- Namibia
- Malta

Client types

- Retail
- Institutional

Source of product types

- PSG Konsult products and services
- Third-party products and services

Channels to market

- Advisers
- Direct
- Combined adviser and direct (multi-channel)

“The role of PSG Konsult in creating and preserving wealth for clients has never been more relevant than in the current economic climate.”

The **adviser model** is a core element of the PSG Konsult business model. It relates specifically to the PSG Wealth and PSG Insure divisions. There is a mutually beneficial relationship between the group and advisers. PSG Konsult provides support and resources to its advisers, enabling them to provide their clients with the highest-quality advice.

Detail follows from page 25.

The outputs of our business activities

PSG Konsult's product and service offering

Financial planning	Financial advice on investing, saving, stockbroking, retirement planning and insurance Distributed through a network of PSG Konsult advisers	PSG Wealth
Investments	A wide variety of investment vehicles covering pre- and post-retirement investment needs, including: • Tax-free investments • Endowments • Retirement annuities • Preservation funds • Living annuities • Discretionary unit trust investments Underlying investment options include: • PSG Wealth multi-managed solutions • A comprehensive suite of local and international unit trusts from PSG Asset Management and unit trusts from a wide range of other management companies for diversification • Access to global markets through both foreign-domiciled funds and rand-denominated feeder funds that invest internationally • Personal share portfolios both locally and offshore	PSG Wealth PSG Asset Management
Unit trusts	A comprehensive suite of local and international unit trusts Access to global markets provided through foreign-domiciled funds and rand-denominated feeder funds that invest abroad	PSG Wealth PSG Asset Management
Stockbroking	Online trading platform providing clients with direct market access to local and international markets Involves building a customised portfolio of shares, exchange-traded products and derivative trading instruments	PSG Wealth
Personal short-term insurance	Access to car, household, liability and accident cover through partnerships with leading insurance providers Advisers evaluating available options to structure tailored insurance solutions for clients	PSG Insure
Commercial short-term insurance	Western Group's insurance underwriting capabilities provide cover internally and via business partnerships with leading insurance providers Access to wide range of commercial insurance products, including business cover for agriculture, marine and business interruptions, etc Analysis of and advice on clients' case-by-case business insurance needs	PSG Insure

Estate and trust services	A full estate planning service, including local and offshore trust services Assistance with drafting a last will and testament, and acting as executor in administering deceased estates	PSG Wealth
Multi-managed funds and solutions	Access to a range of local and global multi-managed funds across the risk-return spectrum Access to leading asset managers, locally and globally, leveraging off their combined resources and specialised skills through a single product range Customisable asset consulting service to institutional investors, allowing clients to combine PSG Konsult's multi-managed solutions to target specific investment objectives Managed equity product suite	PSG Wealth
Healthcare	Access to a range of hospital plans and medical aid options through partnerships with a selection of medical aid providers Gap cover available as a supplement to medical aid to contribute to hospitalisation and medical costs not covered by a specific plan	PSG Wealth
Employee benefits	Complete corporate package, including retirement, healthcare and risk benefits Analysing and providing customised solutions for corporates, institutions and small and medium-sized enterprises (SMEs) based on client needs	PSG Wealth
Life insurance	Access to life, disability and critical illness cover through partnerships with leading insurance providers Advisers evaluating available options to structure the most suitable life cover for clients, on a case-by-case basis	PSG Wealth
Institutional portfolio management	Investment expertise to assist institutional clients to protect and grow their business capital, or perform their fiduciary responsibilities towards their investors Managing segregated and institutional mandates, tailored to clients' business requirements Management of a range of multi-managed solutions and unit trusts that can be included as investment options in retirement funds	PSG Asset Management PSG Wealth

Stakeholders

“We believe that meaningful stakeholder engagement is crucial to the success of our group.”

We acknowledge the need to adapt, improve and consistently deliver value for our stakeholders. We understand our role as the 'relationship owner' and have consolidated our learnings from engagement activities. The management teams of the divisions are responsible for implementing and monitoring stakeholder engagement in their respective areas of business and the board oversees stakeholder management.

PSG Konsult's approach to stakeholder engagement is based on the following principles:

- Mutual respect
- Openness and transparency

- Supportive and responsive interaction
- Regular and structured engagement
- Treating stakeholders as existing or potential clients

Our stakeholders, their interests and their level of influence on the group's operations vary according to geographic location, business area and the nature of their interest. These relationships have evolved into natural stakeholder groups:

How we engage with stakeholders

Advisers		We provide administrative and compliance support, access to products and infrastructure, together with a competitive earnings model.
Employees		We offer a secure environment, career advancement opportunities and compelling employee brand experience.
Clients		We provide the right advice and products to support clients to meet their financial objectives.
Shareholders and analysts		We provide timely, credible and transparent information to inform analysts' recommendations and allow investors to fairly evaluate their investment decisions.
Suppliers, service providers and communities		We support educational initiatives and enterprise development, enabling suppliers, service providers and communities to access business and employment opportunities.
Government, regulatory bodies, and industry associates		We work with government, regulators and industry associations on initiatives to improve the functioning and sustainability of the financial services industry.



Advisers

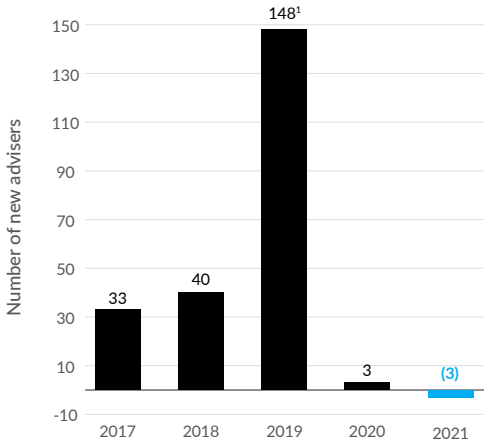
Providing financial advice in unprecedented times.

Our competitive advantage is our ability to provide quality service to clients, in the cities and towns where they live. PSG Konsult's adviser network connects us to our clients. We work hard to retain advisers with the business acumen and a track record of providing meaningful advice to clients. Our advisers' skill in attracting and retaining clients and ensuring long-term relationships is critical to our success.

PSG Konsult regulates the advice process to ensure that clients receive high-quality advice.

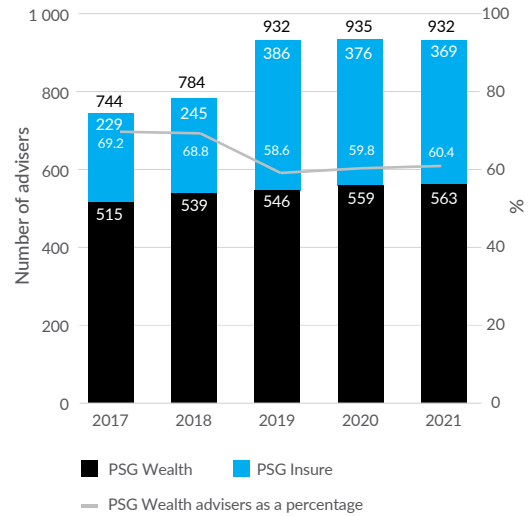
While growth is our strategic focus, any expansion takes place with an emphasis on quality over quantity. We expand our adviser network to deliver positive client inflows through organic growth and selected adviser acquisitions.

Net new joiners



¹ Includes the insurance advisers who joined the PSG Insure division following the AIFA acquisition.

Advisers per division



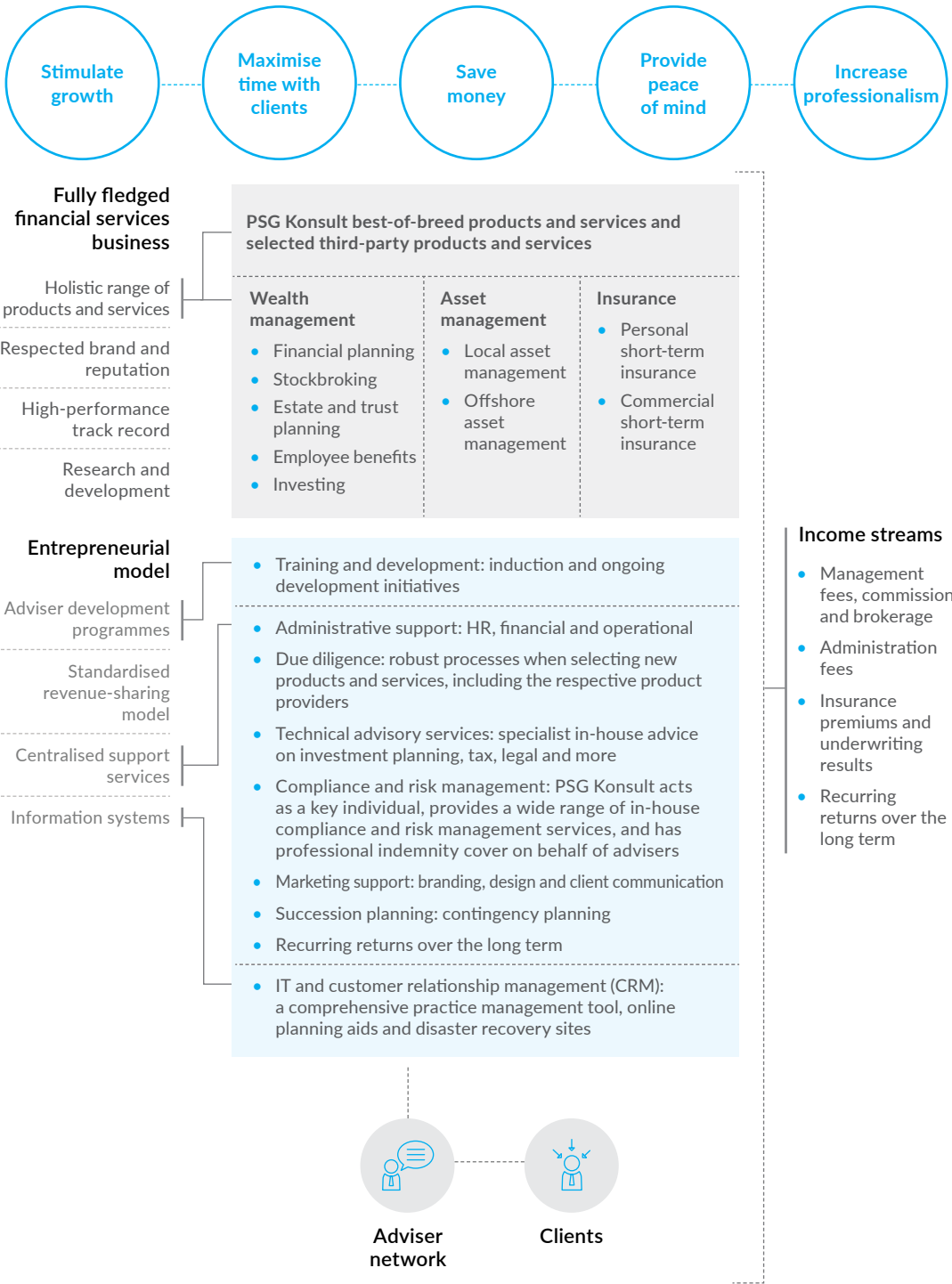
How PSG Konsult creates value for advisers

PSG Konsult offers administrative and compliance support to advisers so they can focus on building valuable relationships with clients.

Advisers have access to business support, infrastructure and systems. We remove much of the regulatory burden that comes with significant administrative costs and capacity constraints for advisers. This creates an environment in which advisers can focus on delivering high-quality advice and creating trusted relationships with clients.

Our adviser value proposition

Through this adviser model, the group aims to:



PSG Konsult advisers are objective	PSG Konsult advisers participate in an entrepreneurial remuneration model. They become integrated into the group's administrative processes and systems, while remaining objective in terms of the products they sell. This model allows them to share in the ownership of their income stream while maintaining full discretion over where their business is placed. The group's advisers sell PSG Konsult products in addition to a wide variety of other local and offshore products. This model ensures our clients receive the most suitable and competitive offering to meet their unique requirements. The entrepreneurial remuneration model also creates greater opportunity for specialisation and enables advisers to form associations with other PSG Konsult advisers and offices, to offer a wider range of services.
PSG Konsult enhances the products and technological capabilities it offers advisers	PSG Konsult offers a wide range of best-of-breed providers and products to help advisers maintain relationships with their clients and provide them with an excellent service offering. The group has agreements with many service and product providers, affording advisers direct access to and visibility of their funds and products. The diverse range of available products allows advisers to remain objective and choose products that are best suited to their clients' needs. This also protects advisers and clients from contagion risk¹.
PSG Konsult prepares advisers for macroeconomic events	Socioeconomic events create media hype, swings in market sentiment, and volatility, requiring a robust advice process. The group engages with advisers through proactive scenario descriptors and responses, putting them on the front foot and preparing them to advise clients appropriately. Advisers are reminded that a long-term view on financial planning, relating back to individual client objectives, remains key.
The adviser model provides consistency and continuity for clients	The onboarding of a new adviser, once agreements and system access points are in place, is a seamless process, without any interruption or changeover affecting the client. Through its adviser network, PSG Konsult offers succession options for advisers who want to sell their businesses or retire. This adds value for clients, who are taken care of with PSG Konsult's cradle-to-grave approach, ensuring continuity, consistency and historic records throughout their financial life cycle.

¹ Contagion risk is defined as the risk that financial difficulties at one or more investment providers spill over to many other investment providers or the financial system.

How the group engages with advisers

We share our strategy and growth targets with advisers and offer them products and services with a proven growth record. Senior management promotes open and effective communication with advisers.

While in-person meetings, including the annual conference, were not possible during the current year, management held frequent virtual sessions with advisers throughout the year.

The following engagement and development initiatives support value creation for advisers and PSG Konsult:

Adviser strategy sessions Selected advisers and management conduct focused strategic discussions on industry-related matters and share adviser success stories.	Adviser work sessions Bi-annual work sessions keep advisers and their employees up to date with changing legislative requirements and internal enhancements.	Regular communication PSG Konsult distributes a range of communications via an internally developed CRM system (<i>myPractice</i>). Regional managers interact with advisers to ensure practices adhere to financial and corporate governance requirements and are driving growth in support of strategic objectives.	myPractice platform Advisers can access information by using a single login for share and fund information, statements and transactional level information.
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Developing an adviser talent pipeline

The PSG Konsult adviser development programme (ADP)

The ADP develops and employs graduates, enabling them to take ownership of decisions and realise their full potential.

As part of PSG Konsult's long-term business goals and transformation initiative, historically disadvantaged individuals are appointed as trainee planners or adviser assistants for a two-year programme, where they learn about *myPractice* coordination, claims, underwriting, soft skills, products and technical aspects.

This allows unemployed learners to gain valuable employment and the chance to study towards a full short-term insurance qualification. During the 12-month internship programme, learners work under supervision and qualify as registered representatives. PSG Konsult's adviser learnership programme has grown and adds quality advisers to the network.

Our ADP has seen good uptake from our advisers. Since the programme began in 2017, PSG Konsult has maintained a 57% retention rate for all graduates who have completed the programme. Our HR team worked hard to ensure that our graduate induction was well managed in a virtual environment.

NEWLY QUALIFIED ADP GRADUATES EMPLOYED	OF ADP GRADUATES EMPLOYED WERE ACI CANDIDATES	ADP GRADUATES EMPLOYED AT ADVISER OFFICES
21 (86 since inception)	100%	49
ADP GRADUATES EMPLOYED AT PSG WEALTH ADVISER OFFICES	ADP GRADUATES EMPLOYED AT PSG INSURE ADVISER OFFICES	
37	12	



Employees

PSG Konsult employs 2 936¹ people across South Africa, Namibia and Malta.

PSG Konsult offers an attractive working environment where employees can improve their skills and capabilities and develop their careers. We employ bursary and internship applicants, graduates and mid-career professionals.

The group believes in performance and meritocracy, where income, promotion and progression follow individual excellence and contribution to the group. The development of employees, as part of their long-term well-being and job security, is a priority for the group. We offer career development opportunities such as bursaries and study loans for part-time and full-time studies, work-related disciplines and specialist fields to meet our future business needs.

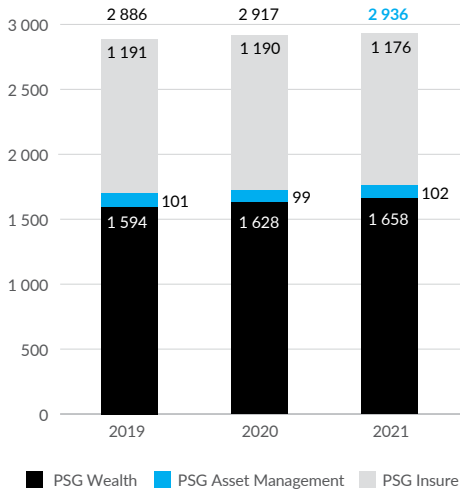
¹ Excludes 387 employees on learnership programmes.

PSG Konsult requires a range of specialist skills including:

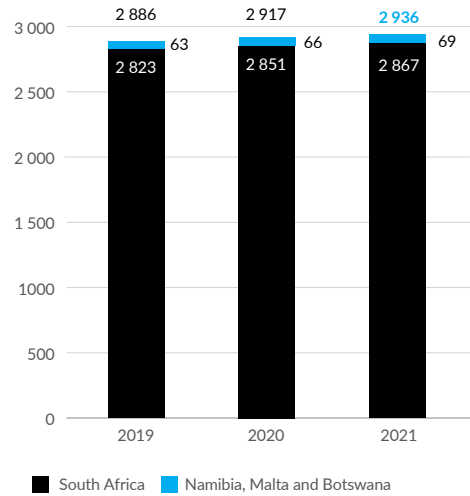
- Asset management
- Data analytics
- Legal and compliance
- Product specialists
- Actuarial
- Engineering
- Risk Management
- Finance
- IT developers
- Short-term insurance underwriting
- System architects

A profile of our employees

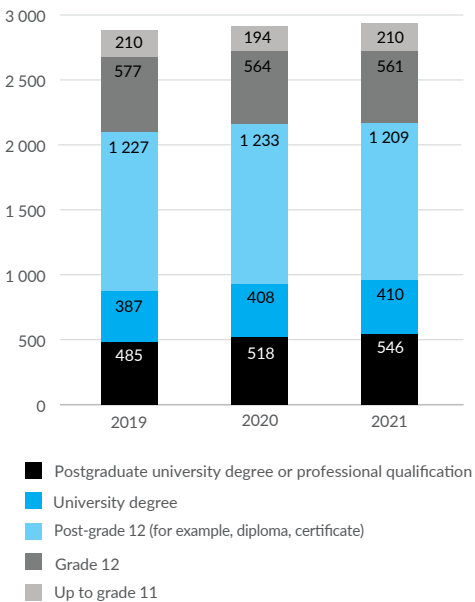
Division (number of employees)



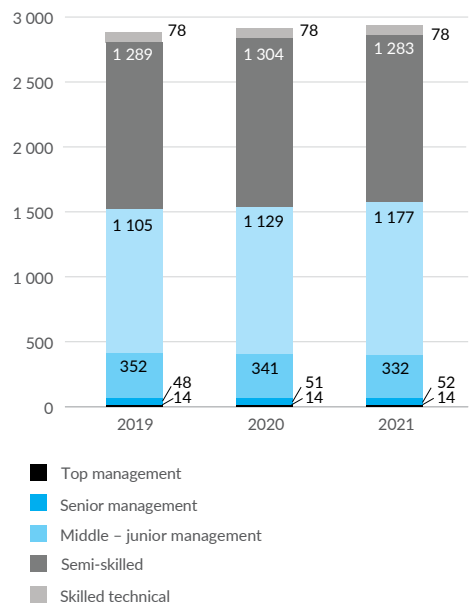
Geography (number of employees)



Education (number of employees)



Hierarchy (number of employees)



Group transformation remains a priority

PSG Konsult is committed to transformation as an imperative for future growth.

We are committed to transforming the group in line with the requirements stipulated by the Financial Sector Transformation Council. Not only is it a regulatory imperative, we believe transformation is critical for our future growth. This is one of the ways we contribute as a good corporate citizen and serve our clients and communities.

Transformation at PSG Konsult is spearheaded by our transformation forum, consisting of employee and management representatives. This forum reports directly to the social and ethics committee, a sub-committee of the board. This ensures that transformation matters are considered at the highest level while also providing a grassroots channel for employees' concerns to be aired.

PSG Konsult evaluates management control by considering African, Coloured and Indian (ACI) participation at board, executive management, senior management, middle management and junior management levels. Emphasis is placed on the participation of African employees across these management levels. Significant progress has been made in the last 3 years. In 2020, we appointed 2 new ACI independent directors to our board (Coloured female and African male).

The group has seen a sustained improvement in the ACI numbers over the past five years – ACI core employee demographics have increased significantly from 41% to 56%. The group continues to monitor and improve the recruitment and retention of ACI employees.

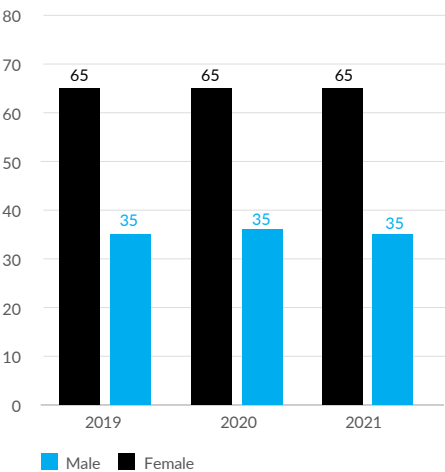
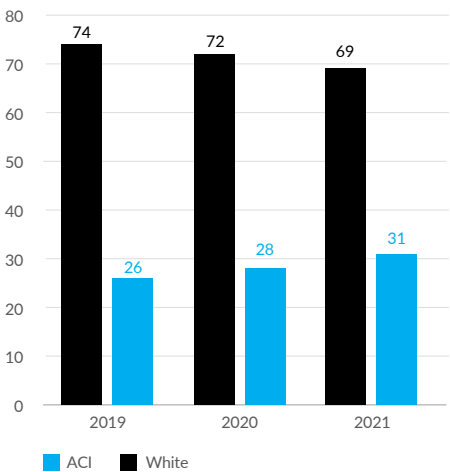
Growing talent for the industry

The industry requires unique and specialised skills that are not readily available. We actively promote careers in financial services to graduates. Since 2008, we have worked to attract and develop young talent through employee and adviser graduate and bursary programmes. We also work with the Association for Savings and Investment South Africa (ASISA) and other industry players to address transformation in financial services.

PSG Konsult has several initiatives to drive skills development. The group provides financial assistance to employees to allow them to qualify as designated industry professionals such as Certified Financial Planners, Chartered Financial Analysts, actuarial, accounting and tax professionals.

PSG Konsult partners with the Skills Development Corporation to fund learnerships for 387 ACI learners as at 28 February 2021, the majority of whom are disabled.

Diversity (% of employees)

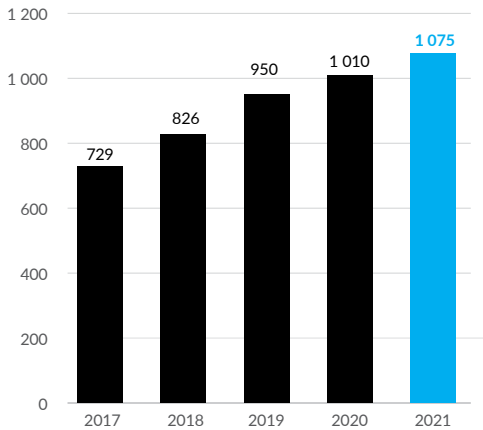


How PSG Konsult creates value for employees

PSG Konsult values each employee's contribution to the success of the group.

The group's governance and management structures enable it to create value for employees. The social and ethics committee oversees group activities relating to sustainability and transformation, providing employees with equal advancement opportunities. The committee monitors the ethical conduct of employees, ensuring they work in a safe environment where they can fulfil their potential. The remuneration committee (Remco) is responsible for developing and implementing fair remuneration practices that are applied consistently throughout the group, thus recognising and rewarding employee performance.

Employee remuneration (Rm)



Employee wellness

Employees normally attend an annual wellness day with preventative screenings, including glucose, cholesterol, blood pressure, body mass index and HIV tests. The wellness day was not possible this year due to COVID-19. During the lockdown, PSG Konsult cared for employee well-being through regular communications around managing COVID-19 risks. We hosted interactive virtual sessions including informal Friday get-togethers, a fitness initiative with home-based training, a book club and cooking classes.

How we engage with employees

PSG Konsult employees benefit from formal engagement events and daily engagement within the different divisions and functions of the group.

PSG Konsult starts its relationships with employees through a recruitment and induction programme, which educates employees about the group's core business principles defining our values and behaviours. The programme promotes maximum working efficiency in the shortest possible time.

The group conducts a bi-annual performance management process. The formal assessment is conducted according to a list of key performance indicators (KPIs) and employee responsibilities.

Individual effort is aligned with the overall strategic objectives and goals of the group. Variable compensation and salary increases are linked to the outcomes of these meetings, along with divisional and group performance.

We conduct continuous employee training, information sessions and seminars, including training on presentation preparation and delivery and engagements on tax updates, regulatory requirements and new systems.

Read more about employee remuneration in the remuneration report from page 91.

Developing an employee talent pipeline

The PSG Konsult bursary and graduate programme grows young talent for the broader financial services industry.

An analysis of PSG Konsult’s barriers to transformation revealed a difficulty in finding appropriately qualified candidates in specialised roles, particularly within our adviser distribution network. We believe this starts at primary school and extends through to postgraduate level. Therefore, our education initiatives were extended beyond employees at PSG Konsult, to create a talent pool for recruitment and build our talent pipeline.

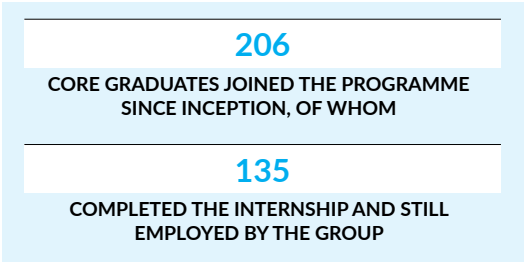
Our core graduate programme

The PSG Konsult core graduate programme is open to students from previously disadvantaged backgrounds who are in their honours year at selected universities.

The programme offers financial assistance, including a monthly stipend and funds for textbooks. As technology is an enabler of our strategy, our focus includes attracting students with science, technology, engineering and mathematics (STEM) skills. After graduating, participants undergo a one-year internship, where they are exposed to on-the-job training and mentorship across various departments in the group and in various adviser offices.

The programme achieves business objectives such as transformation, building a talent pipeline and developing future leaders of the business. Many graduates gain permanent positions, either in core or adviser roles. Graduates come into the group with limited work experience and are mentored to develop a talent pool for future management positions.

We maintain a high retention rate of graduates who have completed the core graduate programme.



Our core graduate programme is in its sixth year and the ADP in its fifth year. Our progress to date is illustrated in the table below. This year we met our goal of the ACI intake aligning with the economically active population of South Africa.

Description	2021	% change	2020	2019	2018	2017
Graduates (ACI)	60	11	55	50	37	26
Core	39	26	32	32	24	15
ADP	21	(9)	23	18	13	11
Graduates – Core (white)	5	(17)	6	10	8	8
ACI % of total graduates	92%		90%	83%	82%	76%



Clients

PSG Konsult provides the right advice and products to support clients to grow and preserve their wealth.

Clients trust PSG Konsult to create and protect their wealth through excellent advice, products and services. PSG Konsult's more than 390 000 clients are predominately South African retail clients in higher-income brackets and selected institutional clients. With a vast geographic footprint, PSG Konsult's advisers service clients where they live.

PSG Konsult is continually improving our client experience through investments in technology and ongoing training of employees and advisers. This bolsters client retention, creates upselling opportunities and improves relationships with advisers. Client retention initiatives include post-sale services and claims management. Our focus on quality helps us attract and retain good clients.

With rapid changes in the political and economic landscape, technology and client expectations, businesses must learn to adapt or face the threat of irrelevance. We continue to improve our digital platforms and cater for clients who prefer a direct customer relationship. The group's multi-channel distribution approach means clients are reached and serviced through their preferred channel.

The COVID-19 pandemic has shifted the investment and insurance landscape. We have remained close to clients with regular communication, online events and important advice on how to manage investments and insurance during the pandemic.

“PSG Konsult offers clients sensible advice, leading digital platforms and customer care that meets their needs and expectations.”

It is PSG Konsult's fiduciary duty to protect clients' assets

To live up to its promise of trustworthiness and quality, the group has several processes and controls in place.

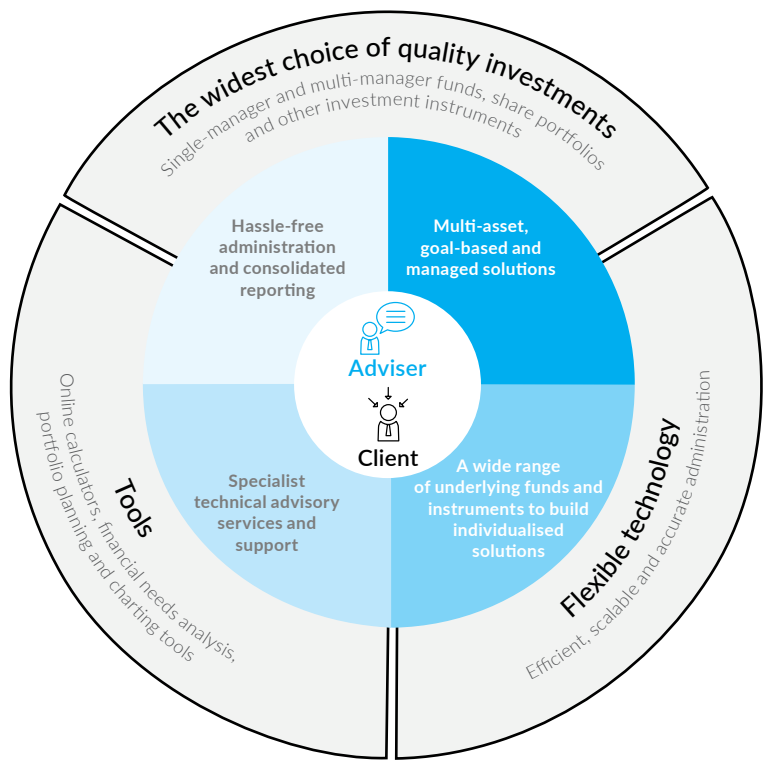
PSG Konsult:

- Follows a robust due diligence process on new products and services, as well as on third-party providers
- Maintains mutually beneficial relationships with business partners
- Constantly monitors the financial soundness of product providers through risk and compliance measures
- Has dedicated compliance officers to oversee compliance processes, businesses, platforms and transactions
- Has an independent risk management department to assess potential risks and the implementation of any mitigating actions
- Maintains strict compliance with laws, regulations and international best practice
- Actively encourages and manages good working relationships with regulators and a culture of compliance
- Has an internal audit function that performs reviews to ensure the controls and processes surrounding clients' assets are sufficiently secure and effective
- Has not received an adverse ruling since the establishment of the ombudsman for financial service providers, confirming the integrity of its products and its excellent service

The group's governance structures create value for clients through the following committees:

- The customer service review committee (CSRC) ensures the necessary processes and systems are in place for PSG Konsult to comply with the Treating Customers Fairly (TCF) financial services regulatory framework. It also identifies opportunities and makes recommendations to improve customer service levels and manage risks on their behalf
- PSG Wealth and Insure product governance committees confirm that approved products adhere to the group's risk appetite and meet clients' risk versus return requirements

How PSG Konsult creates value for clients



Client value proposition: PSG Wealth

PSG Wealth advisers maintain strong relationships with clients and offer an end-to-end client proposition.

The division makes a range of local and offshore investment products and instruments available to investors through its extensive distribution network. Its investment and trading platform offers a range of unit trusts – those belonging to PSG as well as other investment management companies. The platform has various tools for ease of navigation.

The division focuses on the following core capabilities:

- Innovative and profitable products and services within acceptable risk parameters
- Client services and CRM
- Integrated end-to-end platforms
- Accessibility through a range of communication channels
- Quarterly, monthly and daily communications

Growth in new clients can be attributed to client referrals, which is testament to the excellent client service provided by the division's advisers.

Client value proposition: PSG Asset Management

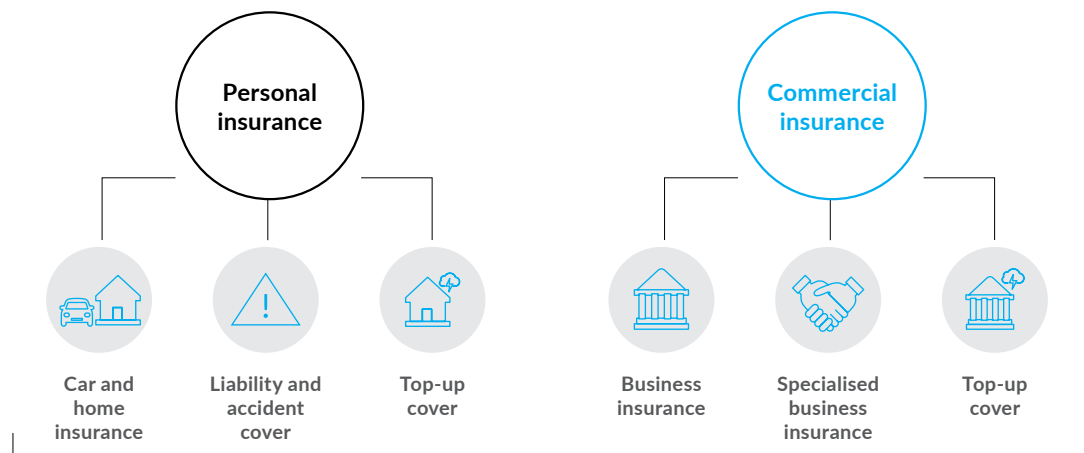
PSG Asset Management offers long-term retail and institutional investment management. The division follows a bottom-up approach, with an emphasis on capital preservation and risk management. It positions its funds on several platforms to enhance accessibility for clients and advisers.

PSG Asset Management prioritises the following core capabilities:

- Easy, accessible investment platforms:
 - A simple and comprehensive range of funds over the entire investment risk spectrum
 - Local unit trusts and access to global markets through rand-denominated unit trusts that invest abroad, and foreign currency-denominated global funds
- Long-term performance track record:
 - Highly qualified, stable and experienced investment team
 - House view adopted by investment team to optimise research ideas and ensure consistency across the fund range
 - Quarterly and monthly communications

Client value proposition: PSG Insure

PSG Insure protects clients from the impact of unforeseen events through a full range of customised short-term insurance solutions, including:



The strategic emphasis of the division is on profitable growth in an environment characterised by low growth rates, and on increased market awareness of the Western National Insurance brand.

PSG Insure is focused on the following core capabilities:

- Short-term distribution:
 - Direct sales and access to products through a large adviser network
 - Established systems and processes
- Short-term administration:
 - Dedicated administration team
 - Skilled and experienced underwriting team
 - Client self-service system and access to product range
- Established insurance business (Western Group):
 - Various distribution channels extending reach and accessibility
 - Quality and diversity of product range
 - Personalised service

How we engage with clients

PSG Konsult builds trusted relationships with clients through continuous communication. This facilitates a better understanding of products, services and processes, which in turn creates an environment where upselling of additional products and services is possible. We are committed to improving our client interactions based on client feedback.

Client engagement happens through a variety of channels:

The myPSG integrated secure online platform Provides clients with a dashboard view of their complete portfolio and access to important documentation, calculators and news feeds.	Online events Keep clients abreast of the trends affecting the investment landscape through access to webinars featuring leading local and international financial experts.	Client newsletters Keep clients informed about macroeconomic factors and trends, investment opportunities, new products and services.	Equity research team findings Include securities platform trade notes and investment insights.
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Shareholders and analysts

Shareholders provide the financial capital for long-term growth.

PSG Konsult's track record and prospects inform analysts' recommendations and shareholders' investment or disinvestment decisions. The group's institutional investor shareholder base constitutes 17.5% (2020: 16.6%) of the total shareholding.

Distribution of shareholders ¹	2021		2020	
	Number of shares	% of total	Number of shares	% of total
Non-public				
PSG Group (through PSG Financial Services)	810 058 551	60	810 058 551	60
PSG Konsult directors	78 351 311	6	88 891 076	6
Management	22 176 880	2	23 528 155	2
Treasury shares	16 935 686	1	18 569 479	1
Public				
Coronation Asset Management	102 421 294	8	125 098 117	9
Allan Gray	51 414 970	4	39 951 333	3
Public Investment Corporation (including Government Employees Pension Fund)	23 723 880	2	24 260 790	2
Other public shareholders	235 847 913	17	226 565 099	17
Total	1 340 930 485	100	1 356 922 600	100

¹ Includes treasury shares held.

Trading statistics	2021	% change	2020
Number of shares in issue	1 340 930 485	(1)	1 356 922 600
Number of shares traded	127 422 726	14	111 951 796
Value of shares traded (R)	965 662 093	(10)	1 069 827 317
Market price (cents per share)			
– Closing	899	14	790
– High	999	(8)	1 085
– Low	431	(39)	701
Recurring headline earnings per share (HEPS) (cents)	52.7	10	48.1
Recurring HEPS (excluding intangible asset amortisation cost) (cents)	57.5	10	52.2
Earnings yield percentage (recurring HEPS)	5.9	(4)	6.1
Price-earnings (PE) ratio (recurring HEPS)	17.0	4	16.4
PE ratio (recurring HEPS, excluding intangible asset amortisation cost)	15.6	3	15.1

How PSG Konsult creates value for shareholders and analysts

The group's investment strategy, which is based on goals, risk tolerance and future needs for capital, delivers consistent returns for shareholders.

PSG Konsult uses recurring headline earnings and recurring HEPS as non-IFRS measures to evaluate performance. This provides shareholders with clear and consistent information to demonstrate the group's sustainable earnings.

The group creates insight and understanding through open and honest dealings with the investment community. It provides timely, transparent and credible information, enabling investors to fairly evaluate their investment decisions. Shareholders benefit from the related growth in new client inflows and new business across the group, which are key drivers of profitability.

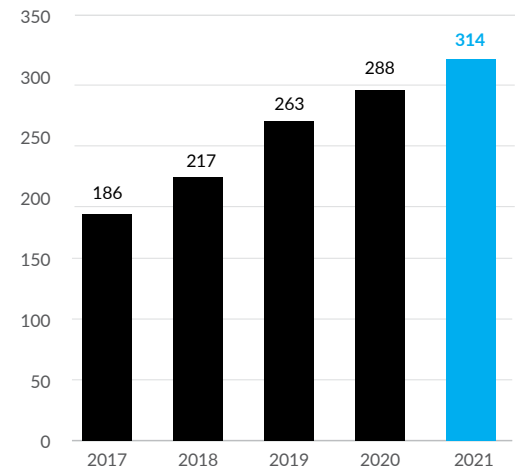
PSG Konsult distributes the financial value it creates to shareholders via dividend payments. The dividend is set with reference to underlying core operating earnings, considering the need to:

- Adhere to capital adequacy, financial soundness and legislative requirements
- Retain earnings and cash flows to support future growth initiatives
- Provide a sustainable dividend that will be paid out to shareholders
- Maintain a dividend pay-out policy of between 40% and 50% of full-year recurring headline earnings, with approximately one-third paid as an interim dividend and two-thirds as a final dividend.

It is the group's priority to create value for shareholders by maintaining a balance between paying dividends and capital expenditure. The reasons for expenditure are clearly and regularly communicated to shareholders.

PSG Konsult manages investment risk on behalf of shareholders through its governance and risk management structures.

Dividends distributed to shareholders (R million)



How the group engages with shareholders and analysts

Investor relations facilitate two-way communication between PSG Konsult and the financial community.

Formal interaction with shareholders and analysts occurs through:

- The JSE Stock Exchange News Service (SENS) and SEM announcements, results presentations, media releases, the website, and interim and year-end results (including the integrated report)
- PSG Konsult's AGM, where shareholders vote on the appointment of directors, the audit committee, the external auditor, the group's remuneration policy and implementation report, and various resolutions proposed by management and the board
- In-person investor roadshows, which were not possible due to COVID-19. In the absence of these we held virtual meetings with several analysts and attended an online event targeted at existing and prospective investors



Suppliers, service providers and communities

PSG Konsult creates strong, mutually beneficial relationships with its suppliers and service providers.

The group makes use of various product suppliers and service providers for an array of products and services to support business operations. These external suppliers provide manufactured, human, and social and relationship capital, ranging from technology systems and services to cleaning, security and creative agency services.

Supplier relationships start with a fair selection and pricing process and are governed by comprehensive service level agreements. PSG Konsult monitors these agreements regularly.

PSG is committed to paying SME suppliers promptly – in less than 30 days. We believe that paying SMEs quickly promotes mutual respect and maintains high service levels.

Communities are the source of current and future employees, suppliers, service providers, shareholders and clients. Investment in community empowerment creates a pool of skilled employees and potential clients for PSG Konsult. The communities PSG Konsult interacts with are determined by the employee and adviser network.

How PSG Konsult creates value for suppliers, service providers and communities

PSG Konsult supports educational initiatives and enterprise development, enabling suppliers, service providers and communities to access business and employment opportunities.

PSG Konsult invests in educational and social programmes that create future employment and economic empowerment prospects. Below are a few of our CSI projects:

The South African Solidarity Fund

PSG Konsult donated R10.0 million to the South African Solidarity Fund to help minimise the impact of COVID-19 on society as a whole.

PSG core graduate programme

The year-long programme develops, nurtures and employs South Africa's young graduates. The programme is in its sixth year, and during 2021 PSG Konsult employed 65 newly qualified graduates (92% of which are ACI candidates).

PSG Adopt-a-School programme

This programme supports and enhances the learning and teaching environment in disadvantaged schools, with the aim of addressing inequalities and inadequacies in rural areas.

PSG Konsult has adopted four such schools with more than 2 100 learners in total. These schools are in close proximity to the economic hubs, thereby enabling PSG Konsult employees to provide hands-on support.

Local community involvement

PSG Konsult offices are active within their local communities with historically disadvantaged backgrounds. The group's extensive footprint in South Africa enables these initiatives to have a far-reaching impact at a grassroots level.

ASISA enterprise and development programme

PSG Konsult has invested in excess of R30.4 million in the ASISA Enterprise Development Fund since February 2015.

This initiative invests in the sustainability of SMEs in South Africa. It also supports government's drive for job creation and economic growth.

PSG Konsult bursary programme

The bursary programme provides bursaries of R125 000 each to promising students every year. At the moment, nine students have bursaries under this programme.

Childcare and children's homes

Childcare centres and children's homes provide support to children in need in local communities. PSG Konsult provides the care centres and homes with monthly food parcels and funding.

The South African SME Fund

The fund was established as part of the CEO Initiative in conjunction with National Treasury and corporate South Africa. Its objective is to invest in high-potential entrepreneurial enterprises in the SME sector and to provide business and other forms of support to the SME sector and funded entrepreneurs. PSG Konsult has invested R2.0 million in this fund since August 2016.

Preferential procurement

Preferential procurement supports the use of ACI-owned companies as suppliers.

The lack of awareness on exempt micro enterprise (EME) and qualifying small enterprise (QSE) affidavits continues to inhibit progress in this area. The group has standardised correspondence regarding EME and QSE affidavits and applicable thresholds to subsidiaries and vendors. Our centralised BBBEE certificate storage repository helps the group remain abreast of vendors' BBBEE levels and compliance.

We have a centralised approved vendor database. We constantly review the scorecards of our suppliers and actively encourage procurement from exempt EME and QSE vendors. Wherever a suitable vendor with a better recognition level is found, and transitioning to a new vendor is practical, the approved list is updated. Future business will be conducted through the new vendor. We have secured the BEE 123 software system to track our vendors' BBBEE scorecards.

In our group, preferential procurement is difficult due to our requirements for advanced IT systems and technology services, where there are few accredited BBBEE suppliers.



Government, regulatory bodies and industry associates

PSG Konsult's commitment to being a good corporate citizen assures government and regulatory bodies of the group's contribution towards a strong, transformed and efficient financial services industry.

The government and regulators ensure the financial industry remains fair and viable. They do this by, among other things, verifying compliance and capital adequacy, to protect the investment community. The South African government department that most affects PSG Konsult's ability to create value is National Treasury.

From a regulatory point of view, PSG Konsult primarily engages with the Financial Sector Conduct Authority (FSCA) and the Prudential Authority in South Africa. Outside of South Africa, PSG Konsult primarily engages with the Namibia Financial Institutions Supervisory Authority (NAMFISA) in Namibia and the Malta Financial Services Authority (MFSA) in Malta.

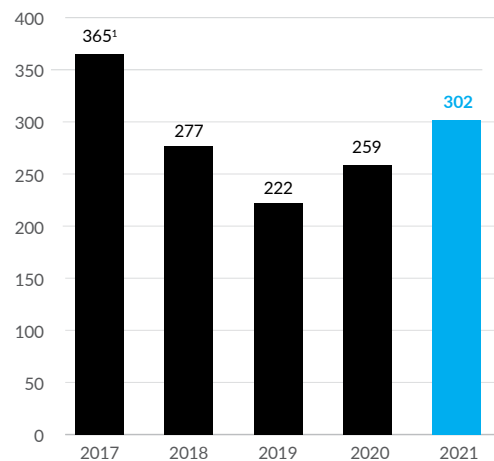
PSG Konsult has 23¹ regulatory operating licences across its range of financial services, 17 in South Africa and 6 in foreign jurisdictions. These necessitate a close and mutually beneficial working relationship with regulators.

How PSG Konsult creates value for government, regulatory bodies and industry associates

PSG Konsult participates in initiatives to improve the functioning and sustainability of the financial services industry.

Regulatory changes have an ongoing impact on the financial services industry. PSG Konsult endeavours to remain abreast of new regulations and plays an active role in these developments. The group pays tax, according to the relevant legislation of the jurisdiction, in the countries in which it operates.

Normal taxation paid to governments (R million)



¹ Includes a PSG Life tax matter settlement.

How we engage with government, regulatory bodies and industry associates

PSG Konsult engages formally through its membership of industry associations and on invitation from the regulators and government. The group has bi-annual meetings with the Prudential Authority and FSCA to provide regular business updates. The regulators perform routine regulatory licence site visits to carry out compliance checks. The group also engages informally on specific issues.

¹ Subsequent to 28 February 2021, the number of regulatory licences decreased to 21 following the disposal of Western's short- and long-term insurance businesses in Botswana.





The 2021 financial year

42	Investing in a low growth environment
44	Our strategy
46	CEO and CFO report
50	Divisional reports

Investing in a low growth environment

PSG Konsult's business characteristics

- The group relies on the performance of the equity market
- As an administrative business, we depend on people and systems to function optimally
- Our business is not especially balance sheet intensive
- The group is free cash flow generative
- We are vulnerable to regulatory change

Our operating context

COVID-19 was declared a pandemic by the World Health Organization in March 2020. Governments took extraordinary measures to limit the spread of the virus, reinforcing health systems and restricting the movement of citizens. On 27 March 2020, South Africa entered a phased lockdown.

The South African economy was impacted by COVID-19, with gross domestic product falling by just over 16% between the first and second quarters of the 2020 calendar year, giving an annualised growth rate of -51%¹. The effects of the lockdown on unemployment were severe. According to the Quarterly Labour Force Survey

released by Statistics South Africa, South Africa shed 2.2 million jobs in the second quarter of 2020.

Moody's and Fitch lowered South Africa's credit ratings into sub-investment grade. This had immediate implications for the country's borrowing costs and investor confidence and appetite. South African investors have portfolios heavily tilted to cash, bonds and offshore assets at a time when domestic shares are trading at very low valuations in both absolute and relative terms.

PSG Konsult uses the following key macro-indicators to evaluate its operating context:

Key indicator	CAGR %	2021	% change	2020	2019	2018	2017
Rand/US dollar	4	15.2	(3)	15.7	14.1	11.8	13.1
FTSE/JSE ALSI	7	66 138	30	51 038	56 002	58 325	51 146
S&P 500 (rand)	17	57 725	25	46 247	39 221	32 007	31 003
All Bond Index	9	765	8	706	649	622	544
Cash index – SteFI							
Call	6	424	4	407	382	358	335
SA Property Index	(18)	285	(21)	363	492	562	640

Rand/US dollar: The rand, which started the 2020 calendar year at about R14 to the dollar, devalued 25% to R19 to the dollar at the height of the crisis. It recovered to end the year at roughly the same value it had at the start.

All Bond Index: There has been a strong appetite for South African bonds, which offer solid interest rates. While South Africa's downgrade to sub-investment grade meant that foreigners have aggressively sold domestic bonds in 2020, the search for yield in a low interest rate environment could create renewed appetite for South African bonds.

FTSE/JSE ALSI: The JSE was up about 4% for the 2020 calendar year, according to the FTSE/JSE All Share Index, despite plunging 30% in March. Some sectors reached the end of the year in good shape: resources shares – particularly miners of gold and the platinum group metals – did particularly well (up 21%, on average); industrials were up 12%; and large-cap shares were up 10%. However, the financial sector, which includes the banks and insurance companies, had a disappointing year (down almost 20%), and the shares of mid-sized and smaller companies on the JSE, a reliable indicator of the state of the real economy, were down over 14% on average. The JSE continued its positive momentum during January and February 2021, increasing by 30% during the current financial year.

SA Property Index: The South African listed property sector has had a tough few years. After being a darling of local investors for several years, the local listed property sector has more recently been the worst performing asset class since 2018. The property sector was facing headwinds even before the onset of the COVID-19 pandemic, which has raised further uncertainty about future returns.

¹ Source: Statistics South Africa.

Based on our assessment of the external and internal environments, the following key risks were noted:

- Geo-political environment, which poses a systemic risk
- Regulatory and policy changes
- Critical infrastructure breakdowns, which could affect our business operations
- Fintech competitors and disruptive practices
- Cyber risk

Refer to the risk report on pages 88 and 89 for additional information.



Our strategy

PSG Konsult has remained true to its strategy of creating a robust financial services business that generates sustainable risk-adjusted returns.

Our group strategy

The group's main strategic objective is to be a highly respected retail financial services group. At the same time, building a cost-efficient and scalable business is a priority. Our strategic focus remains the execution and implementation of three financial business objectives:

Financial business objectives													
Strategic intent	Focus on generating recurring income, which leads to enhanced sustainable earnings.												
Execution and implementation	• Daily analysis and monitoring of new client money inflows • Dashboards and exception reporting • Operating costs structured as variable, where possible • Strengthening sales and marketing focus • Data analytics and management information systems to pinpoint growth opportunities and areas needing attention, while holding people accountable by tracking and monitoring performance against targets • Integration and cross-selling of products and services to existing clients												
Performance	Recurring headline earnings <table><tr><th>Year</th><th>Recurring headline earnings (RM)</th><th>Performance fees as a % of recurring headline earnings</th></tr><tr><td>2019</td><td>591</td><td>2.9</td></tr><tr><td>2020</td><td>644</td><td>0.0</td></tr><tr><td>2021</td><td>704</td><td>0.6</td></tr></table>	Year	Recurring headline earnings (RM)	Performance fees as a % of recurring headline earnings	2019	591	2.9	2020	644	0.0	2021	704	0.6
Year	Recurring headline earnings (RM)	Performance fees as a % of recurring headline earnings											
2019	591	2.9											
2020	644	0.0											
2021	704	0.6											

For divisional performance against strategy, see the divisional reports from page 50.

Executing our strategy

The group's strategy indicates a preference for organic growth that delivers a targeted net revenue margin at an appropriate unit of risk, with acceptable trade-offs. The critical capabilities required to achieve the group's vision include attracting and retaining the right people, selling high-quality products and hosting these on excellent platforms. As part of the budgeting process, each division identifies actions to support and drive:

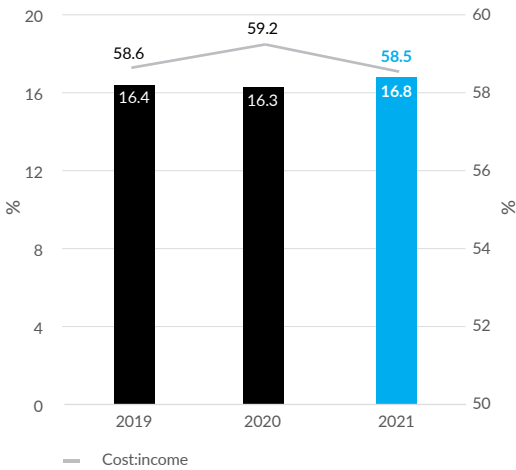
- Net client inflows
- Client-centricity
- Transformation
- Enhanced products and platforms

Margin enhancing

Optimise the profit margin to ensure that an acceptable return on capital is earned.

- Streamlined systems and processes to reduce operational risk and increase efficiency
- Focus on product and innovation for sustainability of profit margins – rather than financial leverage – to generate an acceptable return on capital
- Focus on net new money fee margin to monitor and evaluate quality of business
- Optimise client journey experience to reduce frictional costs
- System automation to achieve system scalability and straight-through processing

Operating margins

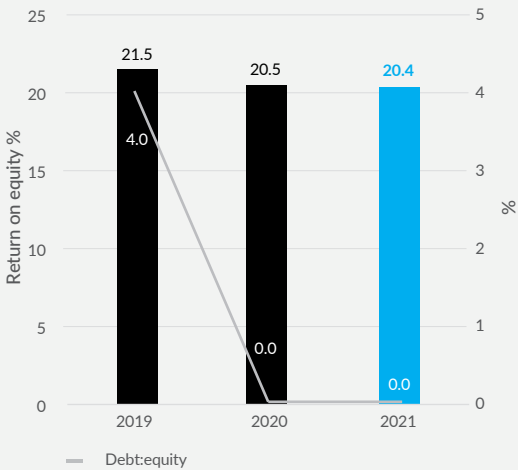


Risk versus return

Maximise every rand earned relative to an acceptable unit of risk.

- Reduced financial leverage by repaying debt, improved credit rating
- Exit from business areas and products that carry undue risk relative to their earnings contribution
- 'Three layers of defence' risk management

Risk versus return



CEO and CFO report

PSG Konsult remains resilient, profitable and well capitalised.

PSG Konsult's salient features

RECURRING HEADLINE EARNINGS PER SHARE

^ 10%

to 52.7 cents per share

TOTAL ASSETS UNDER MANAGEMENT

^ 17%

to R267.9 billion

GROSS WRITTEN PREMIUM

^ 1%

to R5.5 billion

PSG Konsult operating divisions' salient features

PSG WEALTH RECURRING HEADLINE EARNINGS

^ 19%

to R447.7 million

PSG ASSET MANAGEMENT RECURRING HEADLINE EARNINGS

✓ 28%

to R104.9 million

PSG INSURE RECURRING HEADLINE EARNINGS

^ 24%

to R151.2 million

Read more in the divisional reports from page 50.

Our strong performance is testament to the quality of our people and our longstanding investment in technology

Despite a difficult year, PSG Konsult enjoyed continued growth.

The year was a challenging one, with the global economy facing the deepest downturn since the financial crisis of 2008. To thrive in the long term, we need a growing South African economy. In this environment, investors need to think globally, diversify across a broad array of asset classes and keep in constant communication with their financial adviser.

We have responded decisively and in a coordinated manner to the COVID-19 threats and associated regulatory requirements (overseen by our COVID-19 response taskforce). This has enabled us to strengthen our financial position, maintain our robust control environment and limit any potential increase in operational incidents during this period. We were able to effectively work from home and find new, innovative ways to connect with advisers and clients.

We continue to manage and evaluate our performance against an unchanged set of metrics, notwithstanding changes in the operating environment. We generated a 10% recurring HEPS growth and a 20% return on equity.

For the second consecutive year, PSG Wealth was recognised as the Wealth Manager of the Year: Large Institutions at the Intellidex 2020 Top Private Banks and Wealth Manager of the Year Awards. PSG Wealth recorded managed assets net inflows of R14.0 billion during the current year. It was another year of solid performance for PSG Insure with R5.5 billion of gross written premium. PSG Asset Management had a challenging year due to its value orientated investments style, however the division has seen investment performance improve in recent months.

An overview of our 2021 financial results

The table below summarises the group's key operational and financial performance indicators.

Financial performance indicator	2021	% change	2020
Headline earnings (R000)	696 635	8	644 408
Recurring headline earnings (R000)	703 835	9	644 408
Recurring headline earnings (excluding intangible asset amortisation cost) (R000)	767 937	10	699 579
Headline earnings per share (cents)	52.2	9	48.1
Recurring headline earnings per share (cents)	52.7	10	48.1
Recurring headline earnings per share (excluding intangible asset amortisation cost) (cents)	57.5	10	52.2
Cost:net income ratio (%)	58.5	(1)	59.2
Operating margin (%)	16.8	4	16.3
Operating margin (excluding performance fees) (%)	16.8	3	16.3
Assets under management (Rbn)	267.9	17	229.8
Assets under administration (Rbn)	392.3	(1)	396.9
Underwriting premium income (R000)	1 114 370	2	1 097 006
Debt:equity ratio (%)	0.0	0	0.0
Return on equity (%)	20.4	0	20.5
Return on equity (excluding performance fees) (%)	20.2	(1)	20.5

Response to COVID-19

We are proud of our group's continued resilience and innovation demonstrated throughout the COVID-19 pandemic.

Employees and advisers	Our priority is to ensure employee safety and business continuity for our advisers and clients. While PSG Konsult operations were classified as an essential service, 99% of our employees and advisers worked remotely during level 5 of the lockdown. The transition to a remote working environment took place with minimal disruption to client service and productivity. As lockdown restrictions were eased, we encouraged remote working as far as possible.
Infrastructure	Our platform and IT infrastructure capabilities have enabled advisers and employees to interact digitally and continue to service clients throughout the lockdown periods.
Clients	The group supported clients through premium relief and interim business interruption relief payments.
Capital Management	Despite the changing economic conditions and the market volatility caused by COVID-19, PSG Konsult remains resilient. The aim is to limit market volatility on our shareholders' equity and regulatory capital. The group has a strong balance sheet and liquidity. We take a prudent approach when investing assets backing our regulatory capital requirements. As such, more than 90% of investable shareholder assets are invested in cash, money market or related instruments.
Society	PSG Konsult worked with various authorities and regulators to help minimise the impact of COVID-19 on society and donated R10 million to the South African Solidarity Fund.

Capital management

PSG Konsult remains strongly capitalised, with a capital cover ratio of 213% (2020: 191%) based on the latest insurance group return. The group's strong cash flow enables us to continue to invest in long-term growth opportunities, systems and processes, while optimising risk-adjusted returns for shareholders.

Divisional performance

PSG Wealth performed well during a year characterised by uncertainty and volatile market conditions and achieved headline earnings growth of 19%. The division's core income increased by 8%, consisting of an increase in management and other recurring fees, while transactional brokerage fees also increased due to increased trading activity. Assets under management increased by 20% to R232.6 billion, which included R14.0 billion of net new inflows. This is commendable given the uncertain times when many investors panic and sell their investments. Through constant client engagement, advisers were able to retain and attract clients. PSG Wealth appointed 45 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.

PSG Asset Management's results were impacted by South Africa's low investment confidence and challenging market conditions. Recurring headline earnings declined by 28%. Nevertheless, recent, shorter-term performance shows encouraging early signs of improvement, with several funds performing in the top quartile over a one-year period. PSG Asset Management anticipates a renewed interest in its value-investing philosophy and is confident that its positioning in the marketplace will win over new clients.

PSG Insure achieved recurring headline earnings growth of 24%. Pandemic business interruption claims are in the process of being assessed and have been adequately provided for. The net value of these claims did not have a material impact on the results of the group. Our advisers worked with insurers to pass on welcome premium relief to clients. Quality underwriting practices allowed Western National Insurance to attain a noteworthy net underwriting market of 15.3% (2020: 13.6%). The insurance advisers decreased by 2% to 369 during the current year, mainly due to smaller adviser rationalisation.

An overview of our operations

Corporate activity

The group concluded portfolio management acquisition transactions with some of its advisers to consolidate and align certain client share portfolio research and operational management activities within the firm. The consideration was paid with the issue of PSG Konsult shares (5 million shares at an average of R7.35 per share) with the balance being paid in cash. PSG Konsult's focus remains on organic growth, although we 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.

An employer of choice

Attracting, retaining and motivating our employees is a priority. We were able to retain and support our employees during the hard lockdown and beyond.

We migrated many of our employee development and training programmes online to accommodate a work-from-home reality. This included employee induction and ongoing development programmes.

Technology investments

As a group, we are committed to providing great outcomes for our advisers and clients. We focus on simple-to-use, stable, client-centric solutions to deliver a great digital client experience. The group continued to enhance and automate strategic adviser and client systems and processes, aligned with our goal of enhancing digital capabilities and overall client experience.

Further automation has contributed to our strategic priority of building a cost-efficient and scalable business. Through technology, the group can increase business volumes without dramatically increasing cost, while keeping a positive client experience top of mind. We have taken a long-term approach to our technology investments and are beginning to reap the rewards. These were especially apparent during the lockdown where, thanks to technology, our operations continued seamlessly.

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

Transformation is a priority

We continue to execute our transformation plan. Details of specific initiatives are discussed in the stakeholder section from page 24. In the last five years ACI core employee demographics have increased significantly, from 41% to 56%.

We have a dedicated transformation analyst and a transformation forum consisting of employees and management. The forum reports directly to the social and ethics committee, a sub-committee of the PSG Konsult board. These reporting lines ensure transformation matters are dealt with at the highest level, while taking the grassroots approach of inclusive engagement and provision of a channel for all employees to be heard and considered. The structure is rooted in employee feedback, which is communicated to the transformation forum via employee representatives. Issues discussed are escalated by our CEO to the social and ethics committee, where they are incorporated into our transformation strategy.

Moving towards TCFD

At PSG Konsult, we are committed to sustainable growth, integrated risk management and robust governance.

We recognise the recommendations of the Financial Stability Board's TCFD to disclose clear, comparable and consistent information. We have engaged with stakeholders and committed to a long-term process to build a better understanding of environmental, social and governance (ESG) and climate-related risks and opportunities and improve our related disclosures.

Dividend declaration

The group continues to deliver a strong overall performance with a positive outlook. The board has approved and declared a final gross dividend of 16.5 cents per share from income reserves for the year ended 28 February 2021 (2020: 15.0 cents per share). The group's dividend pay-out ratio remains consistent with the dividend policy communicated at the time of listing.

Change in external auditor

The group, following the conclusion of a tender process, on recommendation of the audit committee and endorsement by the board, has proposed the appointment of Deloitte & Touche as external auditor, with Nina le Riche as the designated audit partner, with effect from the financial year ending 28 February 2022. This appointment is subject to approval from the Prudential Authority of the South African Reserve Bank.

Shareholders will be requested to approve the above appointment at PSG Konsult's 2021 AGM, details of which will be communicated to shareholders in due course.

The change in external auditor was initiated by the group to early adopt mandatory audit firm rotation.

Our outlook for future success

PSG Konsult has benefited from being an advice-led business. In turbulent times clients recognise the importance of having an expert adviser. These advisers provide a sounding board and keep clients calm and invested in the market.

We will monitor the local and global macroeconomic environment, and the associated impact on our clients and other stakeholders. The group remains confident about the prospects for growth and will continue to prioritise organic growth.

Business characteristics that underpin our expectations for future success:

- We have a formidable adviser network in South Africa, with a broad and growing geographic footprint
- The group has strong governance structures
- There are clear opportunities for our operating divisions
- There are growing synergies between our operating divisions
- Relatively small market share provides us with attractive growth and business scalability opportunities with diminishing marginal cost increases allowing us to improve profitability
- PSG Konsult has a history of superior shareholder returns
- We will focus on optimising risk-adjusted return per share and restrict the issuance of new shares



Francois Gouws

17 May 2021



Mike Smith

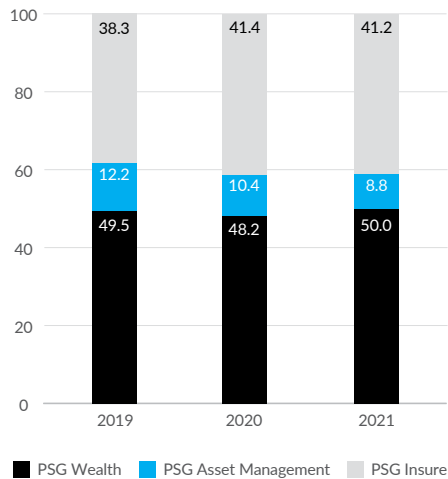
Divisional reports

Divisional overview

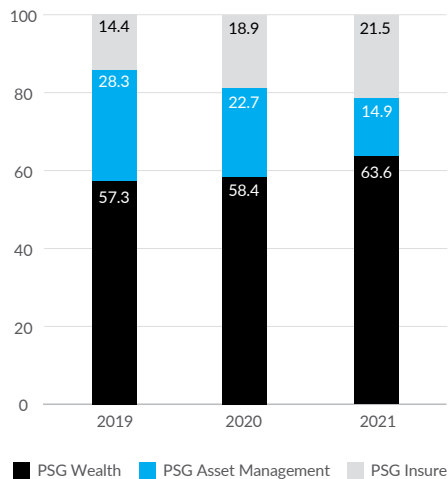
	PSG Wealth	PSG Asset Management	PSG Insure
Business units	- Securities - Multi-managed solutions - Employee benefits - Linked investment business/linked investment service provider (LISP) platform - Wealth distribution (including fiduciary services)¹	- Asset management - Collective investments (local and offshore)	- Western Group - Short-term administration - Insure distribution¹
CEO	Etienne de Waal	Anet Ahern	Rikus Visser
Main office	Waterfall City, Midrand	Constantia, Cape Town	Tyger Valley, Bellville, Cape Town

¹ CEO Dan Hugo

Divisional contribution to group core income
(% contribution)

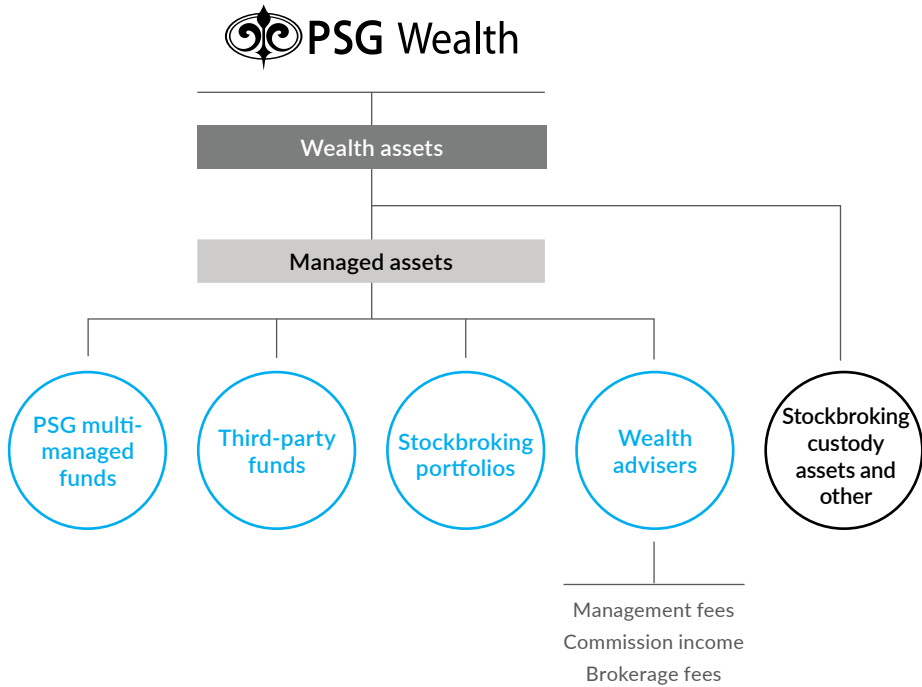


Divisional contribution to group recurring headline earnings
(% contribution)



PSG Wealth

Individuals, families and businesses entrust PSG Wealth with the task of preserving and growing their investments.



Strategic insights

PSG Wealth overview

PSG Wealth offers comprehensive wealth management, designed to meet the needs of individuals, families and businesses. Clients can trade directly in shares and other securities or invest in unit trusts. PSG Wealth also offers a comprehensive estate planning and fiduciary service, including local and offshore trusts and the administration of deceased estates. For businesses, the division offers a full suite of employee benefits and bespoke multi-managed investment solutions.

We advocate diversification and our solutions offer a balance between rand hedge and interest rate-sensitive investments with a long-term focus.

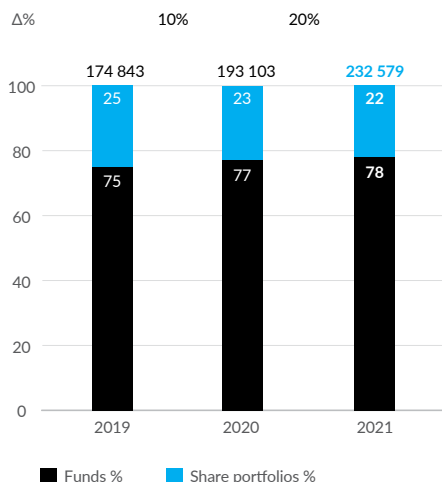
Assets split (Rm)	2019	Market movement	Net flows	2020	Market movement	Net flows	2021
PSG multi-managed ¹	70 680	3 342	9 459	83 481	13 040	11 068	107 589
Third-party funds ²	60 374	581	4 479	65 434	5 218	2 960	73 612
Stockbroking portfolios	43 789	2 356	(1 957)	44 188	7 183	7	51 378
Total managed assets	174 843	6 279	11 981	193 103	25 441	14 035	232 579
Stockbroking custody assets ³	190 028	(27 756)	(4 572)	157 700	(29 986)	(13 977)	113 737
Third-party administration	9 325	448	(444)	9 329	1 344	18	10 691
Total assets	374 196	(21 029)	6 965	360 132	(3 201)	76	357 007

¹ Includes PSG single-managed funds of R9.6 billion for 2021, R6.9 billion for 2020, R8.4 billion for 2019.

² Includes PSG single-managed funds of R6.4 billion for 2021, R7.5 billion for 2020 and R9.8 billion for 2019.

³ Decline in the current year mainly due to the corporate activity transactions implemented by PSG Group, namely the unbundling of Capitec shares and sale by Zeder of its Pioneer Food shares.

Growing managed assets



PSG Wealth's top risks and the associated mitigating actions

Risk	Mitigating action
Market volatility for the foreseeable future.	PSG Wealth has a diversified range of products, including global solutions, and maintains strong governance when making investment decisions.
Cyber risks, which can cause financial loss, disruption or damage to our brand and reputation because of a failure or exploitation of our IT systems	We have comprehensive cyber preventive controls in place, which are maintained and monitored by PSG Konsult group IT. We also have comprehensive cyber insurance cover.
Risks related to new and emerging legislation and regulation.	We monitor new legislation in the jurisdictions in which PSG Wealth operates.
Erosion of investor confidence due to South Africa's economic situation, keeping investors out of the market.	We are confident that we can attract new investors through our range of offshore products, which provide local investors with diversification opportunities.

Performance overview

RECURRING HEADLINE EARNINGS (Rm)

△ 19%	2021 447.7	2020 376.4	2019 338.6
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CORE INCOME (Rbn)

△ 8%	2021 2.6	2020 2.4	2019 R2.3
------	-------------	-------------	--------------

MANAGED ASSETS (Rbn)

△ 20%	2021 232.6	2020 193.1	2019 174.8
-------	---------------	---------------	---------------

OPERATING MARGIN (%)

22.4%	2021 22.4	2020 20.2	2019 21.1
-------	--------------	--------------	--------------

NET INFLOW OF MANAGED ASSETS (Rbn)

△ 17%	2021 14.0	2020 12.0	2019 10.0
-------	--------------	--------------	--------------

MANAGEMENT FEES (Rm)

△ 3%	2021 649.5	2020 629.3	2019 602.7
------	---------------	---------------	---------------

GROSS MARGIN (%)

45.9%	2021 45.9	2020 42.6	2019 42.3
-------	--------------	--------------	--------------

PSG WEALTH ADVISER NETWORK

△ 1%	2021 563	2020 559	2019 546
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How PSG Wealth supports the financial business objectives of the PSG Konsult strategy

Recurring revenues

PSG Wealth's core income increased by 8% during the current year, consisting of an increase in management and other recurring fees, while transactional brokerage fees also increased due to increased trading activity.

Margin enhancing

We focus on straight-through processing to minimise marginal costs.

We regularly negotiate our business partner agreements to manage our cost base.

Risk versus return

PSG Wealth applies multi-dimensional metrics to assess quality, risk and productivity.

We concluded adviser acquisitions to support the group's organic growth strategy.

While it took almost two years to recover from the 40% drawdowns experienced in the global financial crisis of 2008, it took just eight months to bounce back from the sharp losses experienced in March 2020. A big takeaway from what happened this year is that market performance is not always tied to economic performance.

While equity asset returns have come down, their relative return over cash and inflation has not. These real returns are, if anything, better in today's low-inflation environment than in a higher-inflation environment. PSG Wealth attracted an influx of new clients looking to invest, due to the poor performance of cash and lower-priced equities thanks to COVID-19 sell-offs. Higher trading volumes also resulted in a year-on-year increase in trading revenue in our stockbroking division.

PSG Wealth has been able to sustain performance, partnering with advisers to bring quality products, efficient service and valuable engagements and insights to clients. We are a growing business with an increasing proportion of offshore assets under management. PSG Wealth attracted positive net flows of R14.0 billion during the current year, while PSG multi-managed assets broke the R100.0 billion barrier to end at R107.6 billion at 28 February 2021.

We made a concerted effort to improve customer experience. This includes reducing the number of rejected and abandoned calls in client service as well as improving the client onboarding experience through increased automation. Notably, we also saw increases in adviser satisfaction survey scores. We recognise that satisfied advisers are better equipped to service our clients.

While our traditional face-to-face events could not be held for much of this year, we adapted successfully with an increase in digital events to keep our communication channels open. Our *Think Big* webinar series tackling some of our country's most pressing issues has been well received by clients, with attendance numbers rising

throughout the year. We will continue this series into the new financial year. Our advisers have also benefited from increased communication, as we have been able to deliver our investment and fund updates from our multi management team more frequently than would have been the case with physical conferences.

In the prior year we upgraded our local stockbroking platform by implementing and adopting IRESS, a world-renowned trading and portfolio management system. In the current year we worked on finalising the implementation and enhancing the IRESS environment. In addition, we changed our offshore securities provider to Platform Securities LLP.

A key project was providing adviser offices with new functionality to generate and review their clients' welcome packs on a secure transactional site. In addition to improving the way welcome packs are sent, we also enhanced them to introduce new clients to our business efficiently and seamlessly, establishing a beneficial, long-lasting relationship. This enhancement is a client-centric solution that allows for more customisation and flexibility for advisers.

PSG Wealth was recognised as the Top Wealth Manager for Large Institutions at the Intellidex Top Private Banks and Wealth Managers Awards 2020. This is the second consecutive year that we have won this award, which is testament to the high level of support and service provided to advisers and clients. In addition, PSG Wealth was placed second in the Passive Lump Sum Investor and Young Professional categories. PSG Wealth adviser, Rieth Schnetler, was awarded Top Relationship Manager for the second year in a row. This is exceptional industry recognition as her award is based on nominations by clients and their motivations. At the Raging Bull Awards the PSG Wealth Global Flexible Fund of Funds was named the Best (FSCA-approved) Offshore Global Asset Allocation Fund on a risk-adjusted performance basis (over five years). We also won Top Relationship Manager of the Year (Carlo Amorim) at the 2020 Intellidex Top Stockbrokers awards, for the second year in a row. These achievements attest to our highly experienced team and adviser network.

Next moves

Our focus areas for the next financial year are to enhance client and adviser experiences with PSG Wealth by:

- Enhancing distribution capabilities and product range
- Introducing enhancements to improve marginal cost and adviser experience

Our position as a leading financial advisory provider, our diverse suite of products, including our global solutions, and our network of experienced advisers should ensure continued growth. In the adviser space, we will continue to look for adviser acquisitions to enhance our organic growth strategy.



Etienne de Waal

17 May 2021

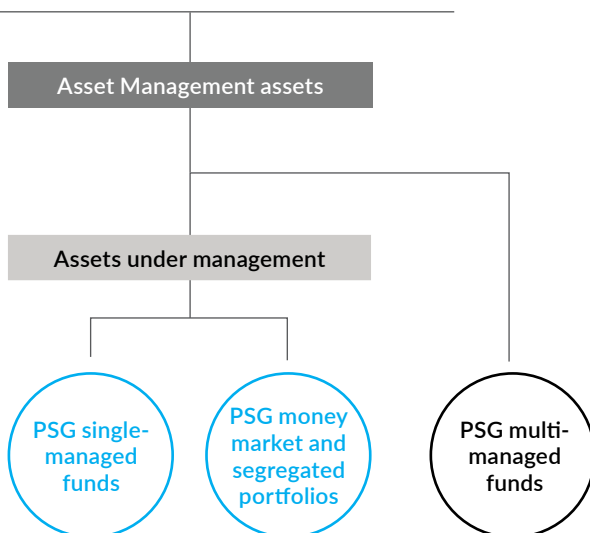
PSG Asset Management

Our differentiated investment approach brings welcome diversification properties to a blended client solution, helping clients to achieve better outcomes over time.

Our portfolios are also good options for patient retail investors who can take a longer-term approach to ride out the occasional volatility which is part and parcel of active management.



PSG Asset Management



Strategic insights

PSG Asset Management overview

PSG Asset Management is an established and respected investment management company with a simple but comprehensive range of local and international unit trust funds. PSG Asset Management offers investment management to long-term retail and institutional investors based on a research-driven approach with a strong emphasis on risk management.

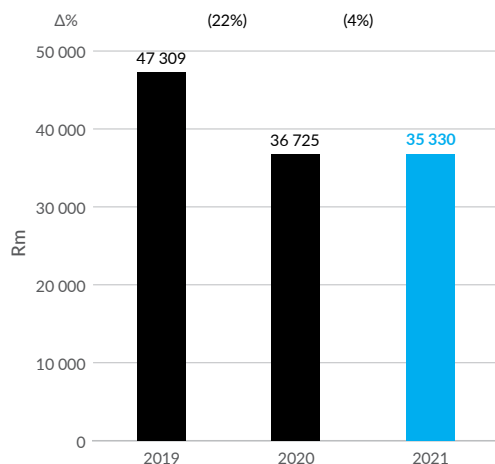
We have a value-investing philosophy where the price paid for an investment is extremely important. Our 3M approach combines a preference for attractively priced investments (our Margin of safety) with a rigorous quality overlay (assessment of Moat and Management). When focusing on a company's management, PSG Asset Management looks at quantitative measures as well as issues like the alignment of the incentives of the management team with the interests of shareholders, corporate governance structures, and the like.

While value investing is currently largely out of favour, and sentiment on global value stocks is at a low, over the long term we believe our consistent investment approach, with the diversification it offers, will attract net inflows.

Assets split (Rm)	2019	Market movement	Net flows	2020	Market movement	Net flows	2021
PSG single-managed	42 316	(5 982)	(4 031)	32 303	3 511	(3 026)	32 788
PSG money market	3 432	-	(89)	3 343	-	(836)	2 507
PSG segregated portfolio	1 561	(13)	(469)	1 079	57	(1 101)	35
Total assets under management	47 309	(5 995)	(4 589)	36 725	3 568	(4 963)	35 330
PSG multi-managed ¹	70 680	3 342	9 459	83 481	13 040	11 068	107 589
Total PSG Asset Management assets	117 989	(2 653)	4 870	120 206	16 608	6 105	142 919

¹ Includes the PSG Multi Management Funds.

Assets under management



PSG Asset Management's top risks and the associated mitigating actions

Risk	Mitigating action
A substantial reduction in assets under management, resulting in a loss of income	PSG Asset Management believes in regular client interactions. We continuously review our investment processes and articulate changes to clients. We hold a relatively small market share and see opportunities in gaining market share through our stable, consistent, client-centric approach.
Manual operational processes, which can result in inefficient delivery times for key information and increase the risk of errors	We continuously review our systems and invest in automating them as far as possible.
Risks relating to brand reputation	Protecting our brand and reputation remains a top priority for PSG Asset Management. Through client events and other advertising and marketing activities we are more visible to our current and prospective clients.
Failure to adhere to regulatory changes	Our dedicated compliance department monitors changes in legislation and the resultant impact on PSG Asset Management. We belong to various professional bodies, for example ASISA, where changes to legislation and their impact are discussed by industry players.
Key person risk and skills drain	Highly skilled investment professionals seek opportunities beyond South Africa. To counteract this, we have a detailed succession plan and we manage and groom upcoming talent. We also work hard to retain our top talent through attractive remuneration and a strong employee brand proposition.

How PSG Asset Management supports the financial business objectives of the PSG Konsult strategy

Recurring revenues

Management fees have increased steadily over the years, while performance fees have become a smaller component of income. Most of our funds have flat fees. As the funds grow, the quality and sustainability of our income improves. This reduces our reliance on performance fees.

Margin enhancing

Costs are well contained and closely monitored. A strict fee policy is in place to protect capacity in the interest of existing clients, and to manage the overall margin.

Margins retained on funds have been maintained or enhanced over time.

Risk versus return

Risk management is integral to PSG Asset Management's investment process, as is the consequent development of portfolios that aim to deliver on investment mandates across a range of scenarios.

We also actively manage client and product diversification to reduce over-reliance on any single client or asset class.

Strategic execution

The PSG Asset Management divisional Exco is responsible for implementing strategic plans. As part of the annual budgeting process, we identify the capital and resources required to achieve sustainable business growth objectives. We submit these, with the necessary motivation, to the board for approval. Functional and business unit heads are required to provide feedback on the business performance metrics at quarterly review meetings.

We have a team of business analysts who regularly review our business processes in line with the group's strategy. Our client data and monitoring systems are continuously improved, and our client team is equipped and trained to provide the best technical and service-related support to our clients. We also integrate digital initiatives, in line with PSG Konsult group initiatives, to eliminate duplication and increase efficiency.

Responsible investment

PSG Asset Management incorporates ESG factors into investment decision-making.

We believe it is important to adopt a responsible investment approach that will ensure a higher probability of consistent performance for our clients. PSG supports the principles stated in the Code for Responsible Investing in South Africa (CRISA). We are in the process of becoming signatories to CRISA. In 2021 we developed our ESG policy, which is incorporated into our analysis of potential investee companies.

PSG Asset Management considers investing in companies with sustainable business models and in management teams that will act as secondary custodians of clients' capital. The board is supported by the investment committee in making investment decisions in line with principles of responsible investment and in the interests of our clients.

Performance overview

RECURRING HEADLINE EARNINGS (Rm)

✓ 28%	2021 104.9	2020 146.4	2019 167.3
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CORE INCOME (Rm)

✓ 12%	2021 462.1	2020 525.1	2019 562.3
-------	---------------	---------------	---------------

ASSETS UNDER MANAGEMENT (Rbn)

✓ 4%	2021 35.3	2020 36.7	2019 47.3
------	--------------	--------------	--------------

NET FLOW OF MANAGED ASSETS (Rbn)

(R5.0 bn)	2021 (5.0)	2020 (4.6)	2019 5.9
-----------	---------------	---------------	-------------

ASSETS UNDER ADMINISTRATION (Rbn)

△ 19%	2021 142.9	2020 120.2	2019 118.0
-------	---------------	---------------	---------------

OPERATING MARGIN (%)

15.8%	2021 15.8	2020 21.6	2019 24.5
-------	--------------	--------------	--------------

GROSS MARGIN (%)

38.4%	2021 38.4	2020 45.4	2019 48.9
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PERFORMANCE FEES CONTRIBUTION TO GROUP RECURRING HEADLINE EARNINGS (%)

0.5%	2021 0.5	2020 0.0	2019 2.9
------	-------------	-------------	-------------

We experienced a decrease in assets under management during the year. Our business has been negatively impacted by two investment trends. The first is the continued rise of index investing as an alternative to active investment management. The second is the search for growth at any price. This quest for growth is fuelled by a low global interest rate environment. This has led to our value-investing philosophy being overlooked, despite large valuation discrepancies. This trend means that shares linked to the economic cycle are ignored by investors who favour technology stocks and other equities that are decoupled from the current economic conditions.

We believe that, in many cases, current rises in these asset prices are simply a reflection of investors' willingness to pay more for these assets, rather than an indication of a fundamental improvement in their prospects. We revisited well-known technology stocks to see if we should incorporate them in our portfolios. At present we believe they are overvalued compared to other stocks in the market. We predict a return to the value-investing style over the medium term as an important component of portfolio construction.

We continue to articulate the long-term merits of our approach, and the importance of remaining invested during this part of the investment cycle. We encouraged clients to take a longer-term view and benefit from our differentiated perspective. Nevertheless, we saw some investment outflows early in the year. Encouragingly, these slowed down towards the end of the year.

We have maintained our investment in technology to improve our operational performance. This included automation to replace manual operational processes, eliminating errors and improving delivery times. In 2021, we implemented iMaps, a programme that visually shows the diversification of portfolios. We have also improved our portfolio dashboards, including liquidity management and the monitoring of correlations to construct more diversified, robust portfolios.

We have a dedicated communications specialist and a detailed communications plan. We pride ourselves on our hands-on approach with advisers and clients. We focus our marketing efforts on regular direct communication, which is particularly valued in challenging market conditions. We further build the brand through media platforms and virtual events.

Next moves

When investor confidence is low it is difficult to grow assets. However, we hold a unique position in the marketplace with our value proposition adding welcome diversification to client solutions. We are nimble enough to access investment opportunities that are not possible for other significant players. Our operations are highly scalable, meaning that our business is well set up for profitable growth. We continue to focus on finding the best risk-adjusted investment opportunities and constructing portfolios with the client objectives in mind.

Other key focus areas are:

- Executing our investment process incorporating the learning of the past few years
- Articulating our unique value proposition to clients, demonstrating how it fits into a blended selection of managers
- Maximising effectiveness, efficiency and operational gearing

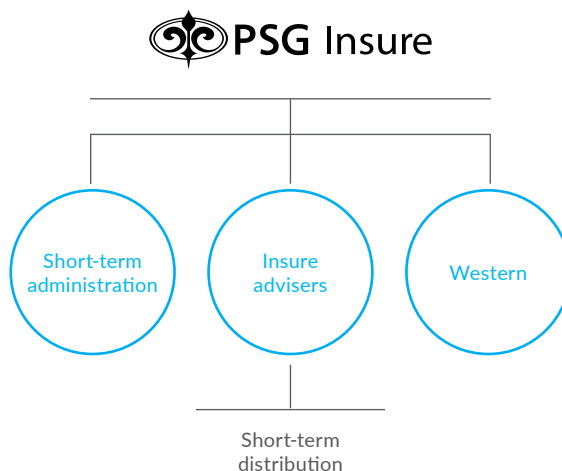


Anet Ahern

17 May 2021

PSG Insure

We make the world a more secure place for our clients with sound and comprehensive insurance solutions.



Strategic insights

PSG Insure overview

PSG Insure offers short-term insurance advice and cover to protect individuals, clients and businesses from unforeseen events. We have a network of specialist insurance advisers throughout the country and cater for everyday, commercial and specialist needs.

We partner with leading non-life insurance providers to offer a wide range of insurance options. We add to these offerings as and when the need arises. This allows advisers to structure cost-effective insurance solutions to clients' requirements. Our advisers also support clients when they need to make a claim.

PSG Insure does not sell insurance cover based on price but focuses on value-for-money insurance solutions structured around the client's insurance needs, based on risk assessment and an advice process.

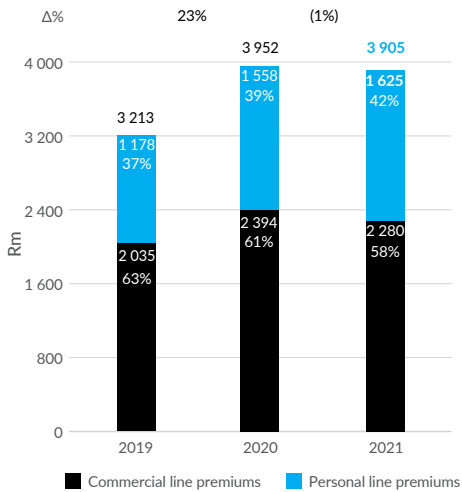
PSG Insure's national adviser footprint and reach keeps us close to our clients. Personal lines clients can also be serviced through our client care centre, which caters for clients who prefer not to have face-to-face interactions with advisers.

We continually improve our short-term administration platform by automating manual processes. We explore the use of increased automation, and robotics and similar technologies to optimise claims administration, product underwriting and client services and so improve client satisfaction.

Western is a non-life insurance group, with a focus on commercial insurance solutions and product offerings to the market through intermediated parties and partners. Western's value proposition is to deliver personalised services, with localised, point of sale decision-making. Its goal is to delight clients with exceptional services and the use of technology to scale the business.

Gross written premium split (Rm)	2021	% change	2020	% change	2019
Short-term distribution	3 905	(1)	3 952	23	3 213
Western Group	1 604	6	1 520	21	1 256
Gross written premium (excluding short-term administration platform)	5 509	1	5 472	22	4 496
Short-term administration platform	1 321	4	1 266	21	1 049
Total gross written premium	6 830	1	6 738	22	5 518

Insure advisers – client premiums



How PSG Insure supports the financial business objectives of the PSG Konsult strategy

Recurring revenues

We focus on organic growth and value-adding acquisitions. PSG Insure achieved gross premium growth of 1%, which was impacted by COVID-19 premium relief measures during the current year.

Margin enhancing

PSG Insure focuses on revenue growth, cost management, optimisation and increased margins. We aim for profitable growth and will not hesitate to cancel unprofitable books of business.

Western Group's disciplined underwriting practices allowed us to achieve an underwriting ratio of 15.3% compared to 13.6% in the prior year.

Risk versus return

Risk management is an integral part of our business strategy. PSG Insure employs skilled underwriters who apply sophisticated techniques to improve the underwriting margin in Western and in our platform business.

Western Group's comprehensive reinsurance programme reduced the adverse impact of large claims.

PSG Insure's top risks and the associated mitigating actions

Risk	Mitigating action
Inappropriate advisory services provided to clients, for example, if advisers recommend unsuitable products	We conduct regular compliance reviews of PSG Insure adviser offices and offer support as necessary. We have a dedicated large cases review panel to review all large advice proposals.
The failure to comply with laws, regulations, codes of conduct and standards of good practice	PSG Konsult has a group legal and compliance department which monitors and reviews all legal and regulatory compliance aspects across the group.
Cyber risks, which can cause financial loss, disruption or damage to our brand and reputation because of a failure or exploitation of our IT systems	We have comprehensive cyber preventive controls in place, which are maintained and monitored by PSG Konsult group IT. We also have comprehensive cyber insurance cover.
A lack of profitable growth and diversification in Western Group's risk pool, which could result in a reduction of profitability	Western Group has a diverse revenue composition, using a wide variety of intermediary parties to attract premium growth, which spreads the risk.
Large cost implications for Western Group of multiple catastrophe or high frequency events, including the impact of reinstatements and increased replacement and repair costs	Western Group has comprehensive catastrophe reinsurance, thus limiting exposure to catastrophe events.
Continued negative economic growth and resulting impact on client income	We train our advisers to focus on retention through regular contact with clients and providing value-adds wherever possible.

Performance overview

RECURRING HEADLINE EARNINGS (Rm)

^ 24%

2021
151.2

2020
121.6

2019
85.2

CORE INCOME (Rbn)

^ 3%

2021
2.2

2020
2.1

2019
1.8

WESTERN GROUP UNDERWRITING MARGIN (%)

15.3%

2021
15.3

2020
13.6

2019
8.9

GROSS WRITTEN PREMIUM¹ (Rbn)

^ 1%

2021
5.51

2020
5.47

2019
4.47

OPERATING MARGIN (%)

10.4%

2021
10.4

2020
9.6

2019
6.2

PSG INSURE ADVISER NETWORK

✓ 2%

2021
369

2020
376

2019
386

¹ Includes gross written premiums on policies administered by the PSG Insure distribution advisers, placed with third-party insurers, and Western Group's gross written premiums. The group earns commission and administration fees on these. It excludes the short-term administration platform gross written premium.

PSG Insure achieved commendable results during the current year. This division continues to focus on profitable growth with an emphasis on commercial lines' type of business which requires adviser expertise.

While the pandemic has caused a reduction in income for many, prompting the need to reduce insurance cover, it has also heightened the awareness around proper financial planning, and the value of having insurance. While the COVID-19 pandemic meant an uptick in policy lapses and cancellations, for other clients it has been a reminder to get the cover they need in place. Our advisers were able to write new business, including from word-of-mouth referrals.

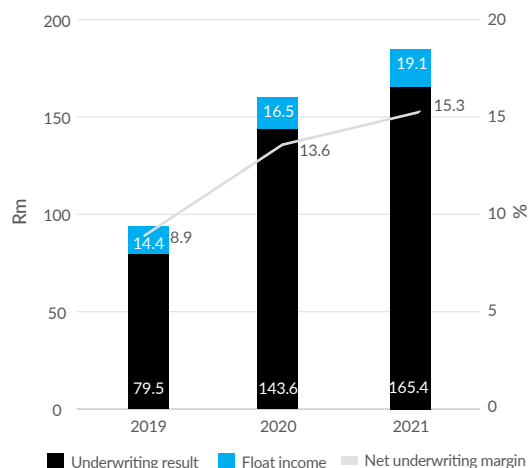
PSG Insure emphasised the importance of retaining our client base. This meant that advisers interacted with clients to understand the reasons for policy cancellations. Wherever possible, advisers retained clients by offering value-adds.

While in-person events were not possible, our advisers had extensive virtual engagement with clients. We hosted a variety of client webinars offering advice on insurance needs during the pandemic. We created specific communications to clients with advice on managing insurance during lockdown.

Our advisers dealt with business interruption insurance claims related to COVID-19. We worked with our insurers to achieve the best outcomes for clients. We also worked closely with insurers, including Western Group, to provide premium relief to clients.

For the second time in a row, PSG Insure was the Top National Broker in the Old Mutual Insure Awards. We were also proud to be recognised as the Santam National Broker of the Year for performance excellence in commercial lines, personal lines, specialist business and portfolio administration. In total, PSG Insure took four of five awards on offer this year – a clear indication of our continued strength. In addition to recognition at a national level, Santam also lauded nine PSG Insure advisers in the regions where they operate. For the fourth year in a row, PSG Insure Meesterplan was recognised as Diamond Broker of the Year at the annual CIB Broker Awards.

Western Group net insurance results



Western National Insurance supported qualifying policyholders through premium relief measures and COVID-19-related business interruption relief payments. Pandemic business interruption claims are in the process of being assessed and have been adequately provided for. No significant catastrophe events occurred during the current year, with the lockdown periods having a positive impact mainly on motor loss ratios. When combined with our quality underwriting practices, Western National Insurance achieved a net underwriting margin of 15.3% compared to the 13.6% achieved in the prior year.

Next moves

We are positive about our outlook as the economy recovers from last year's lockdown. We aim to grow and retain clients, despite the tough economic conditions. We hope to welcome new quality advisers to the PSG Insure network. While some clients will always opt for face-to-face advice, clients of all ages are increasingly open to digital, automated service. We will continue to build on this direct client experience. Our focus areas for the coming year are:

- Continued automation and process optimisation
- Cost containment due to technology and efficiencies
- Customer service improvement initiatives, including direct client experience

Rikus Visser

17 May 2021





Corporate governance

62	Message from the chairman
64	Overview
67	Board of directors
72	Governance structure and reports
86	Risk report
91	Remuneration report

Message from the chairman



“Our commitment to being a leading financial services group has kept us motivated during this difficult time and enabled us to serve our clients, advisers, employees and shareholders.”

Willem Theron

Chairman

PSG Konsult's performance has exceeded expectations in volatile and uncertain times.

2020 was an even more turbulent year than we anticipated. The economic world in which we operate has changed dramatically. The United Kingdom withdrew from the European Union, President Biden succeeded President Trump and the Zondo Commission grabbed the attention of the nation politically. The most significant impact on the year was COVID-19, a pandemic with economic, political and sociocultural consequences that will stretch far into the future.

I am proud to say that PSG Konsult has weathered these challenges well. We moved to a digital way of doing business and have found exciting new ways to reach existing and prospective clients. Our advisers have nurtured their relationships with clients, even when face-to-face meetings were not possible. We benefited from word-of-mouth referrals and our advisers continued to write new business.

We have strived to support all aspects of employees' physical and emotional well-being so they stay energised and engaged. We have found that a virtual environment

simply does not compare with a physical office situation, where collaboration and connection come naturally. Cancelling our physical annual conference in May 2020, and again in 2021, was unfortunate, but unavoidable. Traditionally held at Sun City, the conferences for the two years were held virtually. While this cannot replace the networking and camaraderie of physical events, it has the advantage that we reached attendees who may not have otherwise been able to travel to the conference.

Our overall performance was strong; we were able to grow our business and improve our headline earnings per share while enhancing dividends paid to shareholders. We are a resilient business built on good cash flows with no interest-bearing debt. Our capital management levels are good, substantially exceeding regulatory requirements.

Our biggest risks are adhering to, and integrating, changing industry regulation and mitigating cyber risk. Our greatest opportunities lie in upskilling and retaining our employees and advisers.

The board's activities in 2021

The board prioritised the following topics and initiatives:

- Examination and evaluation of the group's financial results (to maintain profitability)
- The COVID-19 pandemic and impact on the business
- Succession planning, including at board level
- Review of group strategy
- Evaluation of key risks
- Engagement with our regulators
- New regulation impacting the financial services industry
- Transformation as a strategic priority for the group
- Induction course for our two newest directors Tamara Isaacs and Andile Sangqu

The discussions held were robust, and the decisions were strengthened by a diversity of views on the board.

Powering our business through technology

Our ongoing investment in the digital transformation of our group has set us apart during these challenging times.

We began our technology investment journey over 10 years ago and have benefited from improved productivity, adviser satisfaction and client service. Thanks to our strong technology infrastructure we were able to move to remote working almost overnight. We believe that our technology investments, both past and future, will differentiate us from the competition.

Cyber security remains a priority area for technology investment. A cyber attack or a failure to implement effective information and cyber security policies, procedures and capabilities could disrupt operations and lead to financial losses and reputational harm. This risk has been heightened by the COVID-19 pandemic and resulting remote working.

We are well positioned to grow

We remain confident in the soundness of our strategy to deliver long-term value to our shareholders, clients, advisers, employees and the communities in which we live and work. With our relatively small market share, our scalable technology platforms, and our stable employee base and adviser network, we are well positioned for future growth. We actively seek to attract new, high-quality advisers and talented people to our business. We remain open to acquisitions where they meet our stringent due diligence standards.

I would like to thank the PSG Konsult management team, the board, employees and advisers for their excellent performance over the past year. We look forward to when we can once again meet and collaborate in person. I would also like to thank our shareholders for their continued support. In these difficult times, we are more committed than ever to harnessing the full potential of PSG Konsult's capabilities, talent and innovation to help achieve better outcomes for all our stakeholders.



Willem Theron

Chairman

17 May 2021

Overview

PSG Konsult embraces the principles of good corporate governance, including sustainability, transparency and accountability.

The group continues to align its approach to governance with King IV recommended practices and the board continues to support integrated, outcomes-based thinking.

The skills and experience of the group's diverse board and management teams ensure leadership depth and focus. This, in turn, enables the group to create value for its stakeholders in a sustainable and ethical manner.

The appropriate systems and controls are in place to enable the board to play a meaningful oversight role in matters of strategy, sustainability, risk management, legal and compliance.

The group, with the full support of the board, continues to strengthen its corporate governance structures in line with adopted annual work plans. Governance processes are reviewed regularly to reflect best practice, and to enhance alignment with regulatory and legislative changes.

The group is satisfied with the overall outcome of its consideration and application of the 17 principles of King IV. PSG Konsult's King IV Application Register is available on its website at www.psg.co.za.

Governance milestones and focus areas for the 2021 financial year

King IV policy alignment

The board is mandated to ensure continued alignment of governance practices with King IV recommendations through the review of board charters, committee terms of references and policies. A number of policies were developed or enhanced in support of the group and to achieve efficient, transparent and accountable governance, including:

- PSG Konsult procurement and outsourcing policy
- PSG Konsult business continuity and disaster recovery policy
- PSG Konsult IT charter and governance framework
- PSG Konsult data management and information security policies
- PSG Konsult risk management and compliance framework
- PSG Konsult epidemic and pandemic policy

Oversight of ethics

The board completed annual monitoring of the group's ethical conduct standards by reviewing the code of ethical conduct in line with King IV recommendations. Details can be found on page 65.

Board assessment

- Annual independence assessment by the board on non-executive directors' continued independence
- Annual fit and proper questionnaires completed by directors and relevant senior officers in compliance with the Prudential Standards

Details can be found on pages 70 and 71.

COVID-19 response

The board and executive management established a COVID-19 taskforce to assist the group to respond and adapt seamlessly.

Regulatory and legislative compliance

- The board ensures continued compliance with the Prudential Standards throughout the group. The revised PSG Konsult fit and proper policy was adopted by the board. The revisions are based on the Joint Standard 1 of 2020 published by the FSCA and PA, which sets out requirements on fitness, proprietary and other matters related to significant owners of financial institutions and financial institutions.
- The board oversaw the commencement of the implementation of the Protection of Personal Information Act, No. 4 of 2013 (POPIA) by adopting a group policy and planned training throughout the group.

JSE Debt Listings Requirements

The amendments to the JSE Debt Listings Requirements were implemented by:

- The appointment of Group CFO, Mike Smith, as Debt Officer
- Adoption of a separate policy on dealing in securities for PSG Konsult Treasury
- Additional corporate governance disclosures

Remuneration

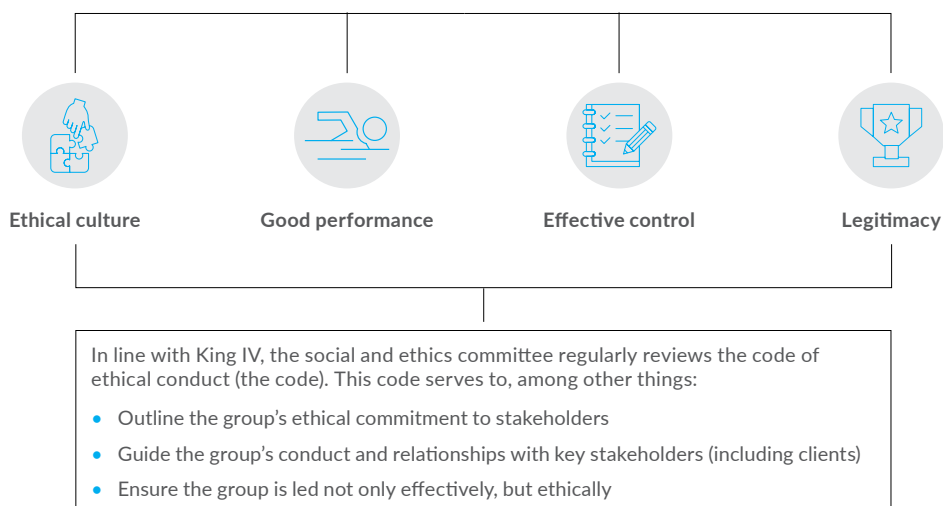
Annual review of the group's remuneration policy and framework, including meeting the JSE's requirements for shareholder engagement and voting on the remuneration policy and implementation report of the group. The remuneration policy and implementation report achieved favourable non-binding advisory votes of 97.1% and 97.3% respectively at the 2020 AGM. Refer to our remuneration report from page 91.

Creating an ethical culture

The board is responsible for setting the tone of the group's values, including its core business principles and the requirements of responsible corporate citizenship, by adopting a code of ethical conduct that articulates the direction of the group.

Code of ethical conduct

The board, together with the social and ethics committee, ensures the group conducts its business ethically and effectively to achieve the following governance outcomes:



Scope of the code

All members of the group (as defined below) are expected to adopt and promote the code, which serves as the basis for ethical conduct and the primary tool to hold members of the group accountable to ethical best practices.

- The code applies to and is binding on all directors, managers and employees of the group (employees include employees of juristic representatives, associates or affiliates).
- It is applied to establish the suitability of potential employees before their appointment, and a copy is provided to each new employee within the group as part of the employee induction process.
- To the furthest extent possible, the code is also binding on all independent contractors, agents, service providers and business partners of the group.

“PSG Konsult's business approach is founded on integrity, trust and transparency. The group has a high regard for ethical conduct and these values are encapsulated in the group's core business principles, set out on page 8.”

Ethical governance outcomes and values

All persons to whom the code applies should cultivate the following characteristics and exhibit them in their conduct:

Competence	1	Act with due care, skill and diligence, and take reasonable diligent steps to become informed about matters necessary for the performance of work. Have working knowledge of the group, its industry, and the key laws, rules, conduct and standards applicable to the conduct of its business.
Responsibility	2	Assume responsibility for executing tasks and diligently perform duties by devoting enough time and effort thereto.
Transparency	3	Be transparent in the way duties and responsibilities are exercised.
Fairness	4	Wherever possible, ensure that actions do not adversely affect the natural environment, society or future generations.
Accountability	5	Be willing to answer (to management and clients) for the execution of responsibilities and account for personal actions, even when these were delegated.
Integrity	6	Act ethically, beyond mere compliance, in good faith and in the best interests of the group, by, among other things, avoiding conflicts of interests wherever possible.

Fraud and corruption

The group has a zero-tolerance approach to corruption and fraud. Employees are kept up to date with the latest local and international trends in crime and fraud.

PSG Konsult operates a fraud and whistle-blower hotline. Any matters of an unethical nature are submitted to the management committee (Manco) as part of HR reporting for the group. No calls were received for the reporting period.

Each director submits a declaration of financial, economic and other interests in related parties at least annually, or whenever there are significant changes in such interests. Directors also disclose their personal financial interests at the start of every board or committee meeting. Disclosure of related-party relationships and transactions is provided in note 34 of the annual financial statements.

Dealing in shares

The group has a policy on dealing in PSG Konsult shares, which has been updated to incorporate the most recent amendments to the JSE Listings Requirements. The policy includes an addendum dealing with disclosure by members of the PSG Konsult Manco and directors of major subsidiary companies.

The policy imposes closed periods to prohibit dealing in the group's shares before the announcement of interim and year-end financial results, and in any other period considered price-sensitive by the JSE Listings Requirements.

The directors, extended family of directors, prescribed officers, company secretary and other key employees (including their associates, investment managers and brokers) of PSG Konsult and its major subsidiaries may not trade during a closed period.

The policy has been widely distributed within the group to ensure that directors and employees are familiar with its content.

Board of directors

The board is the custodian of the group's corporate governance and provides effective leadership based on an ethical foundation.

Willem Theron (69)

Non-executive director and chairman

Qualifications: BCompt (Hons), CA(SA)

Date of appointment: 1 March 1998

Committees: Chairman of the nominations committee

Profile: Willem founded the chartered accountancy firm, Theron du Plessis, in 1976 in Middelburg, which eventually had 10 branch offices in the Western Cape and Eastern Cape. In 1998, he founded PSG Konsult Limited and acted as its CEO until 30 June 2013. He was then appointed non-executive chairman. He also served on the board of PSG Group Limited for a number of years.

Jacob de Vos du Toit (Jaap) (66)

Lead independent non-executive director

Qualifications: BAcc, CA(SA), CTA, CFA

Date of appointment: 17 August 1998

Committees: Member of the nominations committee

Profile: Jaap started his career at the Trust Building Society in 1984 and thereafter joined Senekal, Mouton & Kitshoff Securities in 1988. He co-founded both PSG Group Limited in 1996 and PSG Konsult Limited in 1998. Previously, Jaap was a board member of PSG Group Limited and chairman of PSG Konsult Limited (1998 – 2013). He is a board member of PSG Konsult Limited and the chairman of KAP Industrial Holdings Limited and 12Cape Limited.

Patrick Ernest Burton (68)

Independent non-executive director

Qualifications: BCom (Hons) Financial Management, PG Dip Tax

Date of appointment: 2 March 2014

Committees: Chairman of the audit and risk committees and member of the remuneration, social and ethics, and nominations committees

Profile: Patrick served at Moores Rowland Chartered Accountants for eight years, during which he completed his training contract. He emigrated to Canada in 1982, and worked for Laventhol and Horwath (chartered accountants), from 1982 to 1984. His experience includes executive and non-executive positions in fishing, financial services, food and allied services.

Zitulele Luke Combi (KK) (69)

Independent non-executive director

Qualifications: Diploma in Public Relations

Date of appointment: 16 April 2014

Committees: Chairman of the remuneration committee and member of the audit, risk, and nominations committees

Profile: KK holds a diploma in public relations. He was given the Ernst & Young South African Best Entrepreneur of the Year award in 2000 and the World Entrepreneur of the Year in Managing Change award in 2001. KK is a member of the Institute of Directors in South Africa and serves on the boards of various listed and unlisted companies, including Curro Holdings Limited and as chairman of PSG Group Limited. KK was previously the executive chairman of Thembeke Capital (RF) Limited.

Zodwa Reshoketsoe Pearl Matsau (65)

Independent non-executive director

Qualifications: MPhil Economics, BA Economics

Date of appointment: 20 July 2017

Committees: Chairperson of the social and ethics committee and member of the audit and risk committees

Profile: Zodwa holds the qualifications MPhil Economics and BA Economics from the University of Glasgow and National University of Lesotho, respectively. She started her career as an economist at the Central Bank of Lesotho and was ultimately promoted to Head of Money and Capital Markets: Central Bank of Lesotho. Her career experience thereafter included 18 years at the South African Reserve Bank in various key roles, including company secretary, and finally serving as senior deputy general markets: financial markets. Zodwa also serves as a director on the board of Bidvest Bank Limited.

Tamara Carol Isaacs (44)

Independent non-executive director

Qualifications: BComm, CA(SA), PGDA

Date of appointment: 1 January 2020

Committees: Member of the audit, risk and social and ethics committees

Profile: Tamara has over 18 years' professional services experience, most recently as the partner in charge of the management consultant practice for KPMG in Cape Town. Tamara started her career at PricewaterhouseCoopers Inc., where she spent over a decade and rose to the position of audit partner at the firm's Cape Town office. Tamara consults independently, with a specific interest in post-matric education. She is a trustee and working committee member for Mitchells Plain Bursary and Role Models Trust, a scholarship fund which aims to improve outcomes for students from Mitchells Plain and Phillipi. Tamara is a board member of Cape Innovation and Technology Initiative and also chairperson of the Sakhumzi Empowerment Trust. Tamara was recently appointed chairperson of the University of Cape Town's School of Accounting Advisory Board. During the COVID-19 pandemic, Tamara started a project in the Western Cape, working with schools in Phillipi, Khayelitsha and Mitchells Plain, which aims to understand the disproportionately low uptake of government bursaries by Grade 12 learners.

Andile Hesperus Sangqu (54)

Independent non-executive director

Qualifications: BCompt (Hons) (CTA), HDip Tax Law, MBL, AMP

Date of appointment: 1 January 2020

Committees: Member of the audit and risk committees

Profile: Andile has spent over 20 years working in management positions at several major South African corporations and has also served on a number of JSE-listed company boards. Andile was the executive head of Anglo American South Africa until 31 December 2019. His expertise and practical exposure spans general management, finance, accounting, and tax administration. He is experienced in industries as diverse as broadcasting, insurance, mining, food, and financial services. Andile serves as an independent non-executive director of Tongaat Hulett Limited and is executive in residence at the Gordon Institute of Business Science in Johannesburg.

Petrus Johannes Mouton (Piet) (44)

Non-executive director

Qualifications: BCom (Mathematics)

Date of appointment: 6 December 2012

Committees: Member of the remuneration and nominations committees

Profile: Piet is the CEO of PSG Group Limited. He serves as a non-executive director on the boards of various PSG Group companies, including Curro Holdings Limited and Zeder Investments Limited. He also serves as a non-executive director on the board of Capitec Bank Holdings Limited. He has been active in the investment and financial services industry since 1999.

Francois Johannes Gouws (56)

Chief executive officer

Qualifications: BAcc, CA(SA)

Date of appointment: 1 March 2013

Committees: Member of the social and ethics committee

Profile: Francois joined Senekal, Mouton & Kitshoff as an investment and bank analyst, later becoming a partner in 1993. In 1995, he moved to UBS Investment Bank as head of research in South Africa, eventually becoming the country head for South Africa in 2000. Francois relocated to London in 2001 to become head of European equity research of UBS and was thereafter appointed as head of European equity sales in 2004. He was promoted to head of equities for Europe, Africa and the Middle East in 2006 before becoming global head of cash equities in 2008. In 2010 Francois was appointed global co-head of equities and later co-managed the UBS Securities business until the end of 2011. Francois joined PSG Konsult Limited in 2012 and was appointed CEO in July 2013.

Michael Ian Frain Smith (Mike) (53)

Chief financial officer

Qualifications: BCom (Hons), CA(SA), HDip Tax, HDip Company Law

Date of appointment: 18 July 2013

Committees: Member of the risk committee

Profile: Mike has more than 20 years' experience in the financial services industry. He was appointed CFO of PSG Konsult Limited in June 2013. Mike joined PSG in 2001 as group financial director of Appleton Limited, later becoming COO of PSG Asset Management, and thereafter served as COO for the PSG Wealth division. Before that, he worked for both RAD Investment Bank and Deloitte & Touche in their corporate finance divisions, where he was involved in negotiating and implementing a variety of corporate finance deals and transactions.

Board responsibility and composition

The board governs according to a formal charter, as outlined in the group's memorandum of incorporation (MOI).

In addition, the board charter incorporates responsibilities under the Prudential Standards, including meeting fit and proper requirements applicable to significant owners.

The board is ultimately accountable for the effective governance and direction of the group. This requires the board to consist of an appropriate number and combination of individuals with an adequate level of knowledge, skills and expertise commensurate with the scale and complexity of the business. PSG Konsult has adopted a broader diversity policy at board level, as contemplated in paragraph 3.84(i) of the JSE Listings Requirements, and has

agreed on voluntary targets. There is also a clear division of responsibilities at board level. The board is satisfied that its composition reflects an appropriate mix of knowledge, skills, experience, diversity and independence. The board is assisted by the nominations committee regarding composition and succession planning.

To ensure continued skills development, the board received IFRS 17 training through an external subject matter expert.

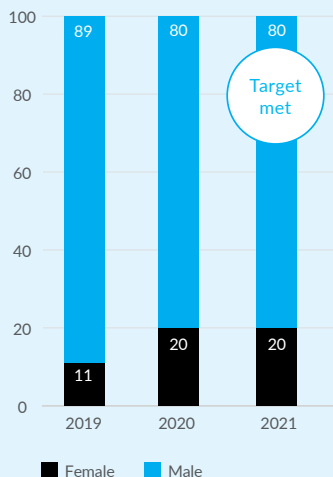
The board is further supported by appropriate internal governance practices and procedures that promote an efficient, objective and independent decision-making culture, considering the interests of all stakeholders.

The PSG Konsult board considers strategic issues and business philosophy, approves financial results and budgets, monitors delegated responsibilities and sets risk parameters. At board meetings, the various committees and divisions provide feedback on KPIs, progress on strategic objectives and various other reports.

Board composition over three years

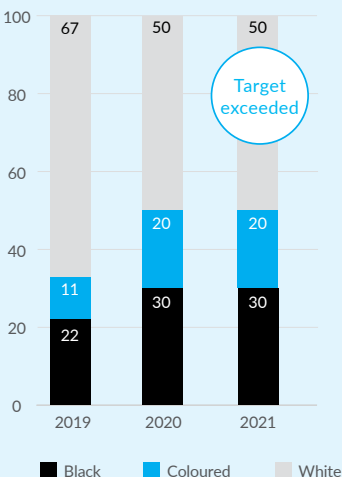
Gender (%)

The board's aim is to ensure that at least 20% of the board consists of female directors. The board has met its gender target.



Race (%)

The board's aim is to ensure that at least 33.3% of the board consists of directors who are "black people" as defined in the Broad-Based Black Economic Empowerment Act, 2003, as amended. The board currently consists of 50% of directors so defined.



Average age

The board's aim is to ensure that the average age of board members is below 65 years. The current average age of the board is 59 years.



Determination of independence of board members

The board has considered and holistically assessed the continued independence of directors in line with the King IV recommendations read with the provisions of the JSE Listings Requirements.

The board is confident that its members apply an independent state of mind and objective judgement in their respective roles, including the continued independence of those having served longer than nine years. The board is satisfied that the majority of the directors are independent non-executive directors. The individual statuses of the directors are recorded in their respective profiles on pages 67 and 68.

Each member's independence in character and judgement is taken into consideration, together with any relationships or circumstances which are likely to affect or could appear to affect their judgement.

The independent and non-executive directors of PSG Konsult are experienced and highly respected, having the required professional knowledge, skills and integrity to exercise sound judgement on various key issues relevant to the group, independent of management.

The insurance licensed entities within the group ensure that non-executive directors' independence is assessed annually.

Appointment process

Directors are nominated for appointment by the nominations committee through a formal and transparent process.

The process includes background checks, subject to meeting fit and proper requirements. The selection of board members is made on merit, taking into consideration their skills, experience, independence and knowledge. Appointments are subject to shareholder approval/ratification.

The adoption of a broader diversity policy articulates PSG Konsult's approach to the promotion of diversity

of the group's board of directors. The group is first and foremost a South African group and believes that diversity at board level maximises opportunities for achieving its business goals through an informed understanding of the different environments in which it operates. The board, through the nominations committee, annually reviews broader diversity targets and also confirmed that the agreed voluntary targets for the reporting period were achieved.

Changes to the composition of the board of directors

There were no changes to the composition of the board during the year.

Changes to board committee composition

Mike Smith was appointed to the risk committee effective 16 July 2020. This appointment is in line with the Prudential Standards requirement that the risk committee should consist of at least three members who include executive and non-executive directors, a majority of whom must be non-executive directors.

In line with succession planning and broader diversity, as overseen by the nominations committee, the board approved the following committee membership changes with effect from 1 March 2021. These changes were communicated via SENS and SEM on 19 February 2021:

- Jaap du Toit stepped down as a member of the audit and risk committees
- KK Combi stepped down as a member of the social and ethics committee
- Andile Sangqu was appointed as a member of the audit and risk committees
- Tamara Isaacs was appointed as a member of the audit, risk and social and ethics committees

Board evaluation

The board participates in performance evaluations, including evaluating the effectiveness of its committees in line with King IV recommended practices and regulatory requirements where applicable.

During 2021, the board participated in a performance evaluation, as an integral part of the group's commitment to adopt best corporate governance practices. The objectives were twofold:

- To apply the recommendations contained in King IV
- To identify areas for improvement

The scope of the evaluation included:

- The board's ability to adopt strategies and meet strategic objectives
- Board composition
- Review of the range of skills, experience and effectiveness of its directors
- Meeting efficacy
- Competency of the chairman to lead the board effectively
- Self-evaluation of all board members in fulfilling their duties
- Evaluation of fellow board members' skills, experience and fulfilment of their duties
- Evaluation of board sub-committees' effective fulfilment of their mandates

The evaluation was completed by each director, including the chairman, with the assistance of the company secretary.

The board is satisfied that the evaluation process is improving its performance and effectiveness. In summary, the results showed that the board is a well-functioning professional unit that sets the ethical tone for the group, with a strong regard for governance. The composition of the board and the collective skills and wisdom of its members contribute to the board's agility and efficacy while these, at the same time, ensure strong support for the strategy and executive directors of PSG Konsult.

The evaluation found no significant matters or material concerns in respect of the board and board committees' performance, and the board is satisfied with the performance of its members. The performance of all directors standing for re-election at the AGM in July 2021 has been considered by the board, and their re-election is supported.

Governance structure and reports

The board executes its duties within a clear structure and according to guiding principles which formalise established governance processes, thereby ensuring accountability and fairness.

Governance framework and approach

The outcomes of this approach can be summarised as follows:

- The relevant accountability for and delegation of responsibilities of the board and senior management are documented in written policies aligned with the latest regulatory developments
- The board and senior management collectively possess the professional qualifications, knowledge and experience to manage the group prudently and discharge their responsibilities
- The performance of multiple tasks by any individual does not create a legal or ethical conflict of interest
- An adequately transparent organisational structure is in place with clear allocation and appropriate segregation of responsibilities
- Risk management, compliance and internal control functions are subject to policies which are maintained and reviewed regularly to ensure alignment with the latest regulatory developments and the continuity of the business
- The group has embedded the three layers of defence governance model and complies with it
- The group maintains clear reporting lines for the prompt transfer of information to ensure the integrity and transparency of information flow throughout the governance structures and to external stakeholders
- The remuneration policy and practices are consistent with the identified risk appetite and the long-term interests of stakeholders
- The board provides oversight and clear accountability for any material function or activity that is outsourced

These outcomes confirm that the group's governance structures function with clear roles and effective exercise of authority and responsibilities. The board is therefore satisfied that it has fulfilled its responsibilities under its terms of reference for the reporting period.

The roles of the chairman and lead independent director

The board is led by a chairman who is elected by the board members with support from the nominations committee and whose objectives include:

- Ensuring proper governance of the board and all associated committees
- Ensuring the interests of all stakeholders are protected
- Ensuring a good relationship exists between the board and shareholders, and between the board and senior management (specifically the CEO)
- Ensuring the brand and group profile are aligned with the values of the group
- Enhancing PSG Konsult's reputation in the industry through relevant stakeholder forums

The roles of chairman and CEO are separate. The Exco is mandated according to a clear set of authorities relating to contracting and signing powers for financial, project and personnel requirements. The board considers it imperative that all actions undertaken in the group's name are executed ethically and professionally.

Willem Theron fulfils the role of non-executive chairman but is not classified as independent in terms of King IV read with the JSE Listings Requirements. Jaap du Toit serves as lead independent director of PSG Konsult.

The function of the lead independent director is to provide advice to the board, without detracting from the authority of the chairman, when the chairman has a conflict of interest.

He also leads in the absence of the chairman, serves as a sounding board for the chairman and acts as an intermediary between the chairman and other members of the board, if necessary. According to the board charter, the lead independent director conducts the performance appraisal of the chairman and chairs any board meetings that deal with the succession of the chairman.

Chief executive officer

The CEO was appointed by the board, and his objectives include:

- Accounting and reporting to the board
- Developing, executing and implementing the group's strategy
- Identifying and setting executive and divisional priorities
- Allocating resources
- Building strategic relationships
- Monitoring performance through daily, weekly and monthly reports
- Managing risk
- Determining incentives
- Ensuring the best people are hired
- Addressing challenges

The board is satisfied that the CEO does not have any other professional commitments that may interfere with his ability to achieve these objectives.

Succession planning is in place for the CEO position and is the responsibility of the board with support from the nominations committee. The CEO's terms of employment and termination are standard conditions in his employment contract.

Company secretary

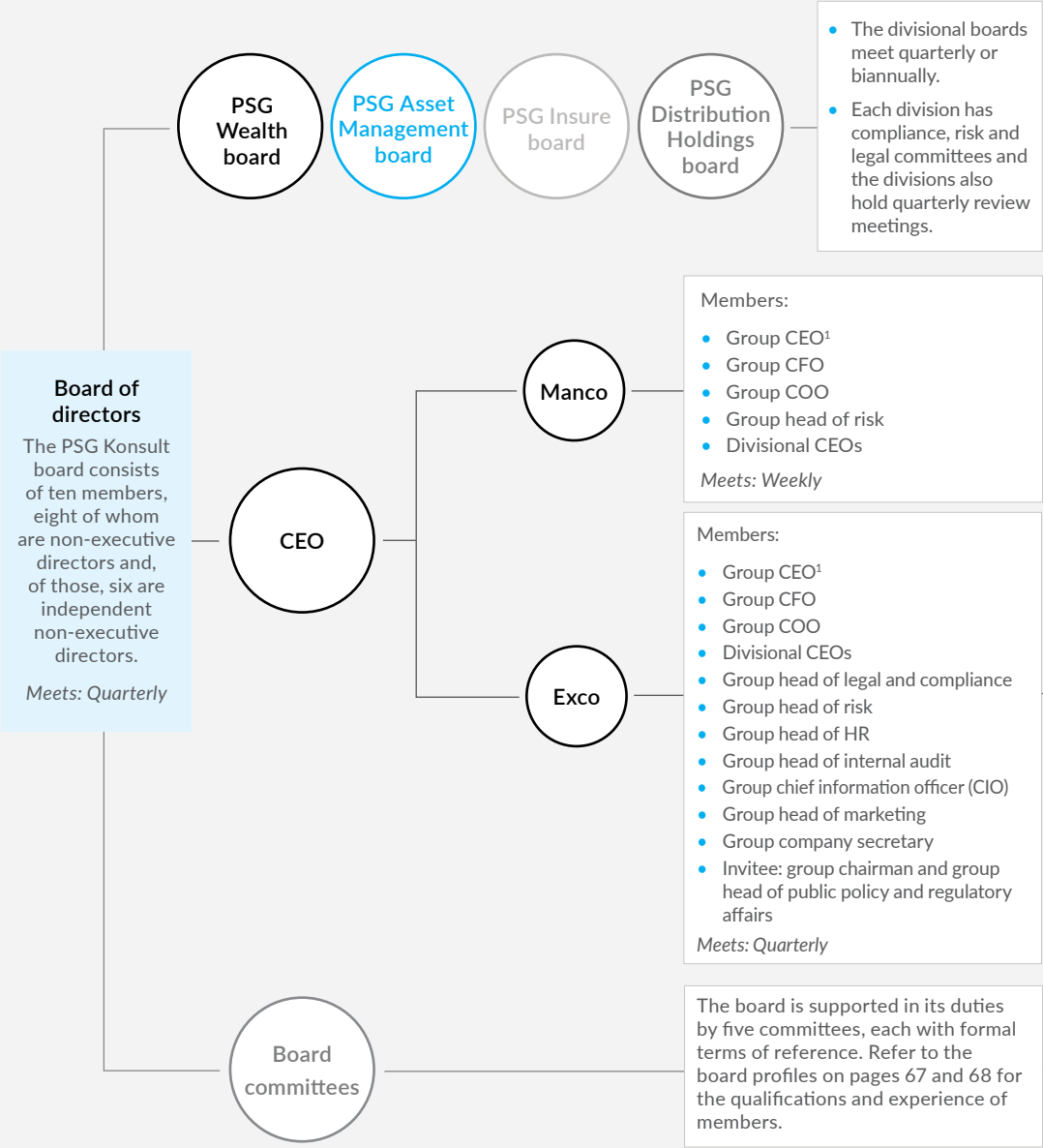
PSG Management Services Proprietary Limited is the company secretary of PSG Konsult and acts as conduit between the board and the group. The company secretary is responsible for board administration and liaison with the Companies and Intellectual Property Commission.

All board members have access to the advice and services of the company secretary, who is responsible for the proper administration of the board and the implementation of sound corporate governance procedures. This includes board induction and training programmes and supplying all information to assist board members in the proper discharge of their duties.

The board is satisfied that the arrangement for accessing the company secretary is effective. Through discussion and assessment, the board has reviewed the qualifications, experience and competence of the individuals employed by the company secretary. The board has also noted that the company secretary performed all formalities and substantive duties timeously and appropriately. There is an arm's length relationship between the board and the company secretary so that the objectivity and independence of the company secretary is not unduly influenced.

The certificate that the company secretary, represented by Shameemah Hamit, is required to issue in terms of section 88(2)(e) of the Companies Act is on page 107 of this integrated report.

Governance structure



¹ Chairs the committee.

Operational committees

Operating committee	Group COO ¹ , group support function heads and COOs of the divisions <i>Meets: Monthly</i>
Credit committee	Group head of risk ¹ , select group and divisional executive management <i>Meets: Monthly</i>
Investment committee	Group CEO ¹ , select group and divisional executive management <i>Meets: Quarterly</i>
Customer service review committee	Group head of internal audit ¹ , select group executive management <i>Meets: Quarterly</i>
Legislation committee	Group head of public policy and regulatory affairs ¹ , Group COO, select group and divisional executive management <i>Meets: Monthly</i>

Board committees

Audit committee	Independent non-executive director ¹ , a further four independent non-executive directors, internal and external auditors, and Exco members by invitation <i>Meets: Biannually</i>
Risk committee	Independent non-executive director ¹ , a further four independent non-executive directors, one executive director, Exco members by invitation <i>Meets: Biannually</i>
Social and ethics committee	Independent non-executive director ¹ , a further two independent non-executive directors, two executives, Exco members by invitation <i>Meets: Biannually</i>
Remuneration committee	Independent non-executive director ¹ , a further two non-executive directors (one of which is an independent non-executive director), group CEO by invitation <i>Meets: Annually</i>
Nominations committee	Non-executive director ¹ , a further four non-executive directors (three of whom are independent non-executive directors), group CEO by invitation <i>Meets: Annually</i>

Board committees

Each committee operates according to formal terms of reference that were approved by the board in terms of the group's MOI.

The board, while retaining ultimate responsibility for overall group performance, has delegated the day-to-day running of the business to the Manco. The Manco assesses operational performance and strategy across the group and divisions. A group and subsidiary delegated levels of authority policy has been adopted and is reviewed regularly to ensure that the management team exercises its authority in line with clearly defined limits and roles. Matters reserved for board approval are clearly defined in its charter.

Board and committee meeting attendance summary

	Board		Audit committee ¹		Risk committee		Social and ethics committee		Remuneration committee		Nominations committee	
	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended
W Theron	4	4	-	-	-	-	-	-	-	-	1	1
FJ Gouws	4	4	-	-	-	-	2	2	-	-	-	-
MIF Smith ²	4	4	-	-	1	1	-	-	-	-	-	-
PJ Mouton	4	4	-	-	-	-	-	-	1	1	1	1
J de V du Toit	4	4	3	3	2	2	-	-	-	-	1	1
PE Burton	4	4	3	3	2	2	2	2	1	1	1	1
ZL Combi	4	4	3	3	2	2	2	2	1	1	1	1
ZRP Matsau	4	4	3	2	2	2	2	2	-	-	-	-
TC Isaacs	4	4	-	-	-	-	-	-	-	-	-	-
AH Sanqgu	4	4	-	-	-	-	-	-	-	-	-	-

¹ An ad hoc meeting of the audit committee was held on 27 October 2020.

² Mike Smith was appointed as a member of the risk committee effective 16 July 2020.

Audit committee

Key focus areas

The audit committee is responsible for:

- Recommending the annual financial statements to the board for approval
- Ensuring the integrity of the integrated report
- Ensuring the effectiveness of financial reporting, including the system of internal control
- Providing an opinion on the effectiveness of the financial officers and finance function
- Monitoring and engaging with the external auditor
- Appointing and determining the remuneration of the external auditor
- Overseeing the internal audit function and approving its charter
- Meeting with external and internal auditors separately from management
- Reviewing and recommending the group tax policy to the board for approval
- Annually reviewing its terms of reference and recommending amendments to the board for approval
- Conducting a self-evaluation every two years, which includes evaluating the chairman and fellow members, and implementing any actions following the board's evaluation of its effectiveness

Committee evaluation

Self-evaluation	Effectiveness evaluation	Future focus
Scope: • Reviewing the expertise, resources and experience of the group's finance function • Reviewing the effectiveness of the company's assurance functions and services • Evaluating the chief audit executive and effectiveness of internal audit arrangements • Assessing the independence and suitability of the external auditor in accordance with King IV, the JSE Listings Requirements and the Companies Act • Making appropriate recommendations to the board concerning any fraud, illegal acts, deficiency in external financial controls or other similar issues that could significantly impact the financial reporting of the business • Reviewing the group tax policy • Reviewing the internal audit charter • Committee composition • Meeting preparation and efficacy • Assessing the competency of the chairman to lead the committee effectively • Self-evaluation of all committee members in fulfilling their duties • Evaluation of fellow committee members' skills, experience and fulfilment of their duties The committee is satisfied that the evaluation process is improving its performance and effectiveness.	Scope: • Committee composition, skills and experience • Proper implementation and fulfilment of its mandate • Meeting preparation and efficacy • Satisfactory reporting to the board after meetings held The board was satisfied with the committee's performance and progress on focus areas.	Along with the board's evaluation of its effectiveness and its adopted annual work, the following focus areas for the future were identified: • Enhancing succession planning and diversity of the composition of the committees by appointing Andile Sangqu and Tamara Isaacs with effect from 1 March 2021 • Ensuring that all members of the committee have current technical knowledge of accounting standards through updates from management, the external auditor and other external sources • Overseeing the business's robust control environment and strong financial position and ensuring they are maintained • Ensuring the business is adequately prepared for the impact of: • IFRS 17 • External auditor rotation with Deloitte & Touche having been appointed, following the conclusion of a tender process, with effect from the financial year ending 28 February 2022, subject to regulatory and shareholder approval
The statement of independence relating to the external audit partner is set out on page 105 of the annual financial statements.		

“The audit committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.”

Risk committee

Key focus areas

The risk committee is responsible for:

- Assessing the integrity, adequacy and effectiveness of the governance, compliance and risk management systems and ensuring that the strategic objectives are achieved within the risk parameters set by the board
- Ensuring risks are properly managed while the process for monitoring compliance with laws and regulations is implemented, performed and effective
- Ensuring opportunities and associated risks are considered when developing strategy
- Assessing the governance, compliance and risk management systems implemented to determine if they are proportionate to the nature, scale and complexity of the various companies within the group
- Ensuring the overall risk profile is monitored and reviewed and the responses to address these key risks are appropriately defined and resolved by management
- Annually reviewing its terms of reference and recommending amendments to the board for approval
- Conducting a self-evaluation every two years, which includes evaluating the chairman and fellow members
- Implementing any actions following the board's evaluation of its effectiveness

Committee evaluation

Self-evaluation	Effectiveness evaluation	Future focus
Scope: • Ensuring committee members meet the fit and proper requirements as stipulated by the company's fit and proper policy • Overseeing the reporting of compliance with laws, codes, rules and standards • Reviewing the Own Risk and Solvency Assessment (ORSA) process of the business to support the board in its overall responsibility to assess its risk management framework as well as the solvency requirements of the business • Committee composition • Meeting preparation and efficacy • Assessing the competency of the chairman to lead the committee effectively • Self-evaluation of all committee members in fulfilling their duties • Evaluation of fellow committee members' skills, experience and fulfilment of their duties The committee is satisfied that the evaluation process is improving its performance and effectiveness.	Scope: • Committee composition, skills and experience • Proper implementation and fulfilment of its mandate • Meeting preparation and efficacy • Satisfactory reporting to the board after meetings held The board was satisfied with the committee's performance and progress on focus areas.	Along with the board's evaluation of its effectiveness and its adopted annual work, the following focus areas for the future were identified: • Enhancing succession planning and diversity of the committee composition by appointing Andile Sangqu and Tamara Isaacs with effect from 1 March 2021 • Enhancing the emphasis on cyber security, data management and IT through separate reporting by management at every meeting • Impact of new and emerging risks, including pandemics, emigration and technology changes • Continued oversight and evaluation of the group's technology and information policy, environment and governance to ensure these are appropriate, aligned and support the strategy and risk appetite of the group • Proactive response and adoption of regulatory change, with a specific focus on the implementation of POPIA

“The risk committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.”

Social and ethics committee

Key focus areas

The social and ethics committee is responsible for:

- Monitoring the group's sustainability and transformation activities, organisational ethics, responsible corporate citizenship, stakeholder relationships, and the ethical conduct of employees
- Monitoring all TCF outcomes reported to this committee
- Annually reviewing the group's Employment Equity Plan
- Reviewing and recommending the code of ethical conduct, which can be found on page 65, to the board for approval
- Annually reviewing its terms of reference and recommending amendments to the board for approval
- Evaluating the effectiveness of the CSRC, the main purpose of which is to monitor the group's service levels and TCF outcomes in relation to customer service
- Approving and annually reviewing the CSRC terms of reference
- Conducting a self-evaluation every two years, which includes evaluating the chairperson and fellow members
- Implementing any actions following the board's evaluation of its effectiveness

Committee evaluation

Self-evaluation	Effectiveness evaluation	Future focus
Scope: • Overseeing and evaluating the implementation of the code of ethical conduct • Monitoring the group's activities and reports in respect of, <i>inter alia</i>: • The Employment Equity Act • The Broad-Based Black Economic Empowerment Act • Health and public safety • Labour and employment: the group's employment relationships and its contribution to the educational development of its employees • Committee composition • Meeting preparation and efficacy • Assessing the competency of the chairperson to lead the committee effectively • Self-evaluation of all committee members in fulfilling their duties • Evaluation of fellow committee members' skills, experience and fulfilment of their duties The committee is satisfied that the evaluation process is improving its performance and effectiveness.	Scope: • Committee composition, skills and experience • Proper implementation and fulfilment of its mandate • Meeting preparation and efficacy • Satisfactory reporting to the board after meetings held The board was satisfied with the committee's performance and progress on focus areas.	Along with the board's evaluation of its effectiveness and its adopted annual work, the following focus areas for the future were identified: • Further enhancing succession planning and diversity of the committee composition by appointing Tamara Isaacs with effect from 1 March 2021 • Continuing to focus on transformation and young talent development across the business and adviser offices • Ensuring that client-centricity forms a cornerstone in the way the business is managed • Improving ESG reporting aspects in the interests of investors and stakeholders

In adhering to our adopted code of ethical conduct, we are satisfied that the business has adapted and will continue to adapt to the constantly changing business environment and the implications of COVID-19. The safety and health, including the emotional well-being, of employees remains a top priority to the business as overseen by the social and ethics committee. The committee has fulfilled its mandate as prescribed by the Companies Regulations to the Companies Act and there were no instances of material non-compliance to disclose.

“The social and ethics committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.”

Remuneration committee

Key focus areas

The remuneration committee is responsible for:

- Developing and implementing fair remuneration practices aligned with the group's strategy and long-term interests
- Ensuring the group's remuneration policy is applied consistently
- Serving as the Remco for the PSG Konsult group and for its insurance licensed entities
- Ensuring the remuneration policy and implementation report are tabled every year for separate non-binding advisory votes by shareholders at the AGM
- Annually reviewing its terms of reference and recommending amendments to the board for approval
- Conducting a self-evaluation annually in line with regulatory requirements, which includes evaluating the chairman and fellow members
- Implementing any actions following the board's evaluation of its effectiveness

Committee evaluation

Self-evaluation	Effectiveness evaluation	Future focus
Scope: • Overseeing the implementation and execution of the company's remuneration policy and compliance with the Prudential Standards • Making annual recommendations to the board of PSG Konsult Limited on the remuneration of the heads of control functions (other than internal audit) and the CEO • Preparing an annual remuneration report, in accordance with King IV and the JSE Listings Requirements • Facilitating engagement with shareholders of the company who voted against the remuneration implementation report and/or remuneration policy, if any (only applicable where 25% or more of the votes exercised voted against the report or policy) • Considering the recommendations made by senior management on the remuneration of non-executive directors, for final approval by the shareholders at the AGM • Committee composition • Meeting the requirements as stipulated by the company's fit and proper policy • Meeting preparation and efficacy • Assessing the competency of the chairman to lead the committee effectively • Self-evaluation of all committee members in fulfilling their duties • Evaluation of fellow committee members' skills, experience and fulfilment of their duties The committee is satisfied that the evaluation process is improving its performance and effectiveness.	Scope: • Committee composition, skills and experience • Proper implementation and fulfilment of its mandate • Meeting preparation and efficacy • Satisfactory reporting to the board after meetings held The board was satisfied with the committee's performance and progress on focus areas.	There were no specific areas of improvement identified and the focus area for the future continues to be adherence to its mandate per its terms of reference.

“The Remco is satisfied that it has fulfilled its responsibilities in accordance with regulatory requirements and its terms of reference for the reporting period.”

Nominations committee

Key focus areas

The nominations committee is responsible for ensuring that:

- A formal and transparent process is established for nominating, electing and appointing members to the board
- The board consists of a majority of non-executive directors, with a majority of the non-executive directors being independent directors, and reflects racial, cultural, age and gender diversity in line with targets
- The broader diversity policy is recommended to the board for approval and implemented
- The nomination of directors for re-election by shareholders at the AGM is approved by the board as a whole
- Formal succession plans for the PSG Konsult board and executive management, PSG Konsult Treasury board and PSG Konsult's key subsidiaries, with a specific focus on insurance licensed entities, are developed, implemented and reviewed annually

The nominations committee also:

- Oversees the development, continued training and professional development of the directors
- Annually reviews its terms of reference and recommends amendments to the board for approval

Committee evaluation

Self-evaluation	Effectiveness evaluation	Future focus
Scope: • Recommending the appointment of additional board sub-committee members to the board in line with approved succession planning and broader diversity policy • Overseeing succession planning of key subsidiaries with the group, with a specific focus on insurance licensed entities • Recommending to the boards of such insurance licensed entities the appointment of additional board and sub-committee members, subject to regulatory approval, in line with approved succession planning and enhancing broader diversity The committee is satisfied that the evaluation process is improving its performance and effectiveness.	Scope: • Committee composition, skills and experience • Proper implementation and fulfilment of its mandate • Meeting preparation and efficacy • Satisfactory reporting to the board after meetings held The board was satisfied with the committee's performance and progress on focus areas.	There were no specific areas of improvement identified and the focus area for the future continues to be adherence to its mandate per its terms of reference, and in particular: • Continued review of succession planning • Continued focus on broader diversity

“The nominations committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.”

Operational committees

Executive committee

The Exco acts as an oversight committee for the various management-level committees and divisions. It assists the group CEO to develop and implement the group's strategy, operational plans, policies, procedures and budgets.

This involves:

- Monitoring operating and financial performance
- Assessing and controlling risk
- Assessing the appropriateness of policies, processes and controls in respect of key areas of legal, regulatory and ethical obligations
- Prioritising and allocating resources
- Monitoring factors in the operating environment
- Evaluating the effectiveness of the operating committee, credit committee and investment committee every two years

The board evaluated the effectiveness of the committee during 2021 and was satisfied with its performance and progress on focus areas. The scope of the evaluation included:

- Committee composition, skills and experience
- Proper implementation and fulfilment of its mandate
- Meeting preparation and efficacy
- Satisfactory reporting to the board after meetings are held

There were no specific areas of improvement identified and the focus area for the future continues to be adherence to its mandate per its terms of reference.

Operating committee

The operating committee assists the group COO to develop and implement operational plans, policies, procedures and budgets and to monitor the operational performance in each division.

The Exco evaluated the effectiveness of committee during October 2020 and was satisfied with its performance. The scope of the evaluation included:

- Proper implementation and fulfilment of its mandate and duties
- The committee's overall composition
- Satisfactory reporting to the Exco

There were no areas of improvement identified.

Credit committee

The credit committee is responsible for assisting management and the board to manage default risk, monitor direct credit exposures and limits throughout the group.

The Exco evaluated the effectiveness of the committee during October 2020 and was satisfied with its performance. The scope of the evaluation included:

- Proper implementation and fulfilment of its mandate and duties
- The committee's overall composition
- Satisfactory reporting to the Exco

There were no areas of improvement identified.

Investment committee

The investment committee is responsible for determining the investment strategies of each entity in the group. It is also responsible for monitoring the performance of the shareholder investment portfolio against agreed parameters.

The Exco evaluated the effectiveness of the committee during October 2020 and was satisfied with its performance. The scope of the evaluation included:

- Proper implementation and fulfilment of its mandate and duties
- The committee's overall composition
- Satisfactory reporting to the Exco

There were no areas of improvement identified.

Customer service review committee

The CSRC was established to ensure that PSG Konsult has the necessary processes and systems in place to comply with the FSCA's TCF Framework. The CSRC reports to the social and ethics committee and is responsible for:

- Ensuring that all PSG Konsult clients are treated fairly, according to TCF
- Identifying opportunities and making recommendations to improve customer service levels

The social and ethics committee evaluated the effectiveness of the committee during September 2020 and was satisfied with its performance. The scope of the evaluation included:

- Proper implementation and fulfilment of its mandate and duties
- The committee's overall composition
- Satisfactory reporting to the Exco

There were no areas of improvement identified.

Legislation committee

The legislation committee creates awareness of all legislation, both financial services legislation and other legislation, impacting the group. In terms of financial services legislation only, the committee is responsible for:

- Discussing the relevant regulatory change identified
- Discussing and determining the impact on each division in the group
- Discussing the implementation of the necessary changes to comply with the regulatory change
- Reporting back on whether the implementation plans have been successfully implemented and monitored

Senior management within the group are invited to Manco meetings when the need arises.

Internal control and compliance processes

Internal audit

The internal audit function is an independent, objective assurance and consulting activity designated to add to and improve an organisation's operations.

It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of governance, risk management and control processes. Internal audit's activity is governed by an internal audit charter, which is reviewed and approved annually by the group audit committee. The objectives, scope and functions of the internal audit function are summarised below.

Objectives

The internal audit function evaluates and contributes to the improvement of the group's governance, risk management and control processes using a systematic, disciplined and risk-based approach.

Scope

The scope of the internal audit function encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the group's governance, risk management, and internal controls and the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives.

The internal audit function follows an approved risk-based internal audit plan. Annually, internal audit conducts a formal risk assessment of the entire group from which a comprehensive risk-based audit plan is derived. The assessment and programme are validated by executive management and approved by the responsible audit committee. The annual plan is reviewed regularly to ensure it remains relevant and responsive, given changes in the operating environment. The audit committee approves any changes to the plan.

Functions

- Evaluating risk exposure relating to achievement of the organisation's strategic objectives
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify and report such information
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organisation
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets
- Evaluating the effectiveness and efficiency with which resources are employed
- Evaluating operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned

- Monitoring and evaluating governance processes
- Monitoring and evaluating the effectiveness of the organisation's risk management processes
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organisation
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the board
- Evaluating specific operations at the request of the board or Exco, as appropriate

In line with King IV, the audit committee ensures that a combined assurance model is applied to provide a coordinated approach to all assurance activities. Internal audit is part of this combined assurance model and plays a pivotal role in the assurance framework. A combined assurance model involves proper planning and the implementation of these plans, while reducing risk to an acceptable level through an assurance dispensation. It also ensures that the contributions of the various potential role players are optimised. This reduces risk and cost and increases effectiveness.

Independence of internal audit

In line with King IV recommendations, the group head of internal audit confirms to the board, at least annually, the organisational independence of the internal audit activity. The internal audit activity complies with the Institute of Internal Auditors' Code of Ethics.

Increased control framework

The increased control framework was developed by management to introduce an internal control system to assist the board and senior management in fulfilling their oversight and management responsibilities. These responsibilities relate to:

- The strategy and risk appetite determined by the board
- Effectiveness and efficiency of operations
- Reliability of financial and non-financial information
- Adequate control of risks
- The business aspirations of the group
- Key business, IT and financial policies and procedures
- Compliance with laws, regulations and internal policies and procedures
- Confirmation that control procedures and processes have been implemented correctly and are operating as intended

Compliance and legal

The legal and compliance function forms an integral part of the three layers of defence approach and is accountable for monitoring and reporting compliance risks to the board.

Ongoing training is provided throughout the group to employees and advisers to ensure awareness and embed a high standard of ethical behaviour and adherence to adopted policies.

As early adopters, the group constantly monitors shifts in the regulatory landscape to ensure that it implements the necessary changes when new legislation becomes effective. The group maintains good relationships with regulators and participates in discussions around changes in the regulatory environment.

The internal audit function supports the Exco in ensuring the process is effective. This enables PSG Konsult to maintain compliance with all relevant legislation.

During the past financial year, no instances of material non-compliance were noted, including regulatory penalties, actions or fines for contraventions of, or non-compliance with, statutory obligations.

Specifically, the PSG Konsult directors have confirmed that, to the best of their knowledge, PSG Konsult:

- i) complied with the provisions of the Companies Act of South Africa; and
- ii) operated in accordance with its MOI, during the current year.

Financial reporting

PSG Konsult provides financial reports to its shareholders twice a year. Detail regarding significant transactions undertaken is reported as required by the JSE Listings Requirements.

More information on the group's operating licences and membership of industry bodies is provided in the stakeholders section on page 39.

“The board acknowledges its responsibility to ensure the group complies with all applicable laws and regulations to maintain its operating licences. Board members are familiar with the financial services industry and the suite of regulatory requirements that characterises it. They are also aware of the importance of assessing the impact of legislative changes.”

Information technology governance

PSG Konsult operates in an increasingly technology-driven world, where IT creates differentiation, generates revenue and enables client-centricity. PSG Konsult continues to mature these capabilities and services to our advisers and clients.

Overview

IT plays an integral role in executing the strategy and the daily operations of PSG Konsult. The scalability, value and efficiency of business functions are dependent on effective IT systems.

PSG Konsult's business model is critically dependent on IT systems, as it requires a fully functional IT infrastructure to empower its vast network of advisers across South Africa and Namibia to achieve its strategic objectives. IT governance takes place according to a formal charter and governance framework based on King IV principles and the Control Objectives for Information and Related Technology 5 IT Governance Framework.

Regulatory changes, consumer advocacy and technology advances increasingly join forces in creating significantly more informed and empowered clients. The velocity of change continues to increase in a world where technology, data and interconnection have made the creation of investments in the advancement of a fast-paced, growing technological environment an important aspect of the group's business.

PSG Konsult continues to invest in the development of its digital capabilities and services. This includes both enhancements of current functionality and the addition of new capabilities. Focus is on providing clients and advisers with an excellent user experience that is both seamless and efficient in delivering the highest levels of service. This model of continuous improvement is underpinned by a focused approach to system stabilisation and environment enhancements.

Responsibilities

The board, while retaining ultimate responsibility for both technology and information governance, has delegated the responsibility to the risk committee.

The risk committee considers technology and information separately from a risk and governance perspective, while aligning both with the group's strategic objectives.

The CIO, supported by a team of IT specialists, is responsible for ensuring sound technology and information governance, including:

- Aligning technology and information with the performance and sustainability objectives of the group
- Delegating the responsibility for implementation of the technology and information policy to management
- Monitoring and evaluating significant technology and information investments and expenditure
- Managing the integration of technology and information risks into organisation-wide risk management
- Ensuring information assets are managed effectively
- Monitoring proactively to identify and respond to incidents, including cyber attacks and adverse social media events
- Ensuring arrangements are in place to provide for business resilience and continuity
- Managing the performance of, and the risks pertaining to, third-party and outsourced service providers
- Assessing the value delivered to the organisation through significant investments in technology and information, including the evaluation of projects throughout their life cycles, and of significant operational expenditure
- Ensuring the responsible disposal of obsolete technology and information, considering environmental impact and information security
- Leveraging information to sustain and enhance the group's intellectual capital
- Ensuring the ethical and responsible use of technology and information
- Providing information architecture that supports confidentiality, integrity and availability of information
- Ensuring compliance with relevant laws
- Continually monitoring security of information
- Ensuring the protection of privacy of personal information
- Providing technology architecture that enables the achievement of strategic and operational objectives of the group
- Managing the risks pertaining to the sourcing of technology
- Monitoring and providing appropriate responses to developments in technology, including the capture of potential opportunities and the management of disruptive effects on the group and its business model

Key developments

During the past year:

- A full data centre refresh was successfully delivered with additional capacity and a fully managed Cyber Security Operations Centre was implemented for enhanced proactive security monitoring and management.
- Artificial intelligence cyber security tools were installed on all our data centre and core office server fleet to introduce best-of-breed behaviour analysis and security monitoring and alerting. A separate report on information technology is presented by the CIO at all risk committee and board meetings.

Future priorities

Future priorities for IT delivery and focus include rolling out a new, modern, cloud-based public-facing website with the new corporate identity.

We have a strong focus on adopting cloud technologies and achieving a highly scalable business.

We are redesigning our core practice management tool for stability, scalability and digital self-service.

Risk report

PSG Konsult's robust risk management ensures that acceptable risk and adequate capital levels are maintained.

PSG Konsult remains aware and diligently responds to the challenging operating, regulatory and economic environment. We continue to enhance our systems and processes incrementally to monitor and manage our key risks, including regulatory, operational, market and IT-related risks.

Overview

PSG Konsult's three main risk management objectives are unchanged:

- Ensuring that adequate cash resources are available to execute its strategy, make value-enhancing investments and grow sustainably to benefit all stakeholders (especially clients, shareholders and employees)
- Remaining true to its core values and business principles in all activities the group undertakes
- Maintaining good relationships with all its regulators

To drive and support these objectives within defined risk appetites, we focus on:

- Recurring revenues (which lead to enhanced sustainable earnings)
- Sustainable margins (to ensure an acceptable return on capital is earned)

- Risk vs. return (to maximise every rand earned relative to an acceptable unit of risk)
- Client-centricity (to place clients at the centre of everything we do)
- Capital management (to ensure business sustainability and resilience through any eventuality)

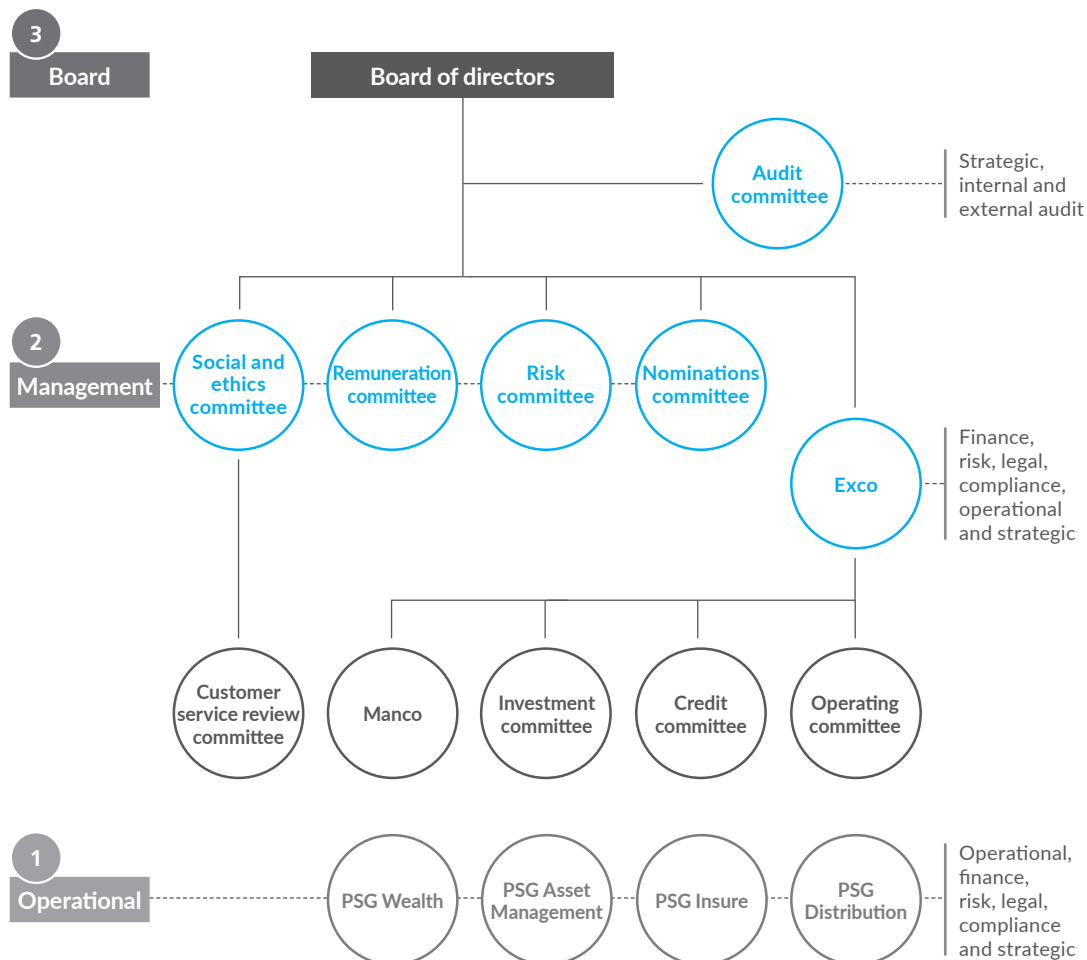
PSG Konsult's risk management plan delivers an appropriate and independent oversight framework, with reporting structures to keep management and the board informed. Changes in the risk landscape are assessed and material risks are managed at acceptable levels. Components of this framework include:

- Three layers of defence governance structure
- Various committees with risk management responsibilities assisting the board
- Risk management embedded in the strategic principles and underpinning all business activities

More detail on the execution and implementation of the strategic principles is provided in the strategy section on pages 44 and 45.

Three layers of defence approach

PSG Konsult defines the responsibility and accountability for risk management by applying the three layers of defence approach.



1 First layer of defence

Operational management is responsible for identifying risks and weaknesses and for developing and implementing policies, procedures and controls to address, manage and reduce these risks and weaknesses to acceptable levels.

2 Second layer of defence

Finance, risk, legal and compliance employees may assist management to implement policies, procedures and controls, but they are mainly responsible for providing advice and oversight to ensure that policies are applied. The level-two employees report directly to the relevant heads of finance, risk, legal and compliance.

3 Third layer of defence

Internal and external audit are responsible for evaluating, testing and giving assurance to the board and management on the effectiveness of these policies, procedures and controls.

2021 in a nutshell

PSG Konsult adequately identified, assessed and responded to the challenges and risks faced during the past financial year. Responses include:

- Adequate tailored client engagements and communication in response to the unique environment
- Investment philosophy consistently applied to ensure that stakeholders' long-term objectives and needs remain on track, with robust reviews performed and enhancements made where necessary
- Efficient conversion to working from home with required controls and security monitored
- Further investment into selected resources, technology (i.e. data centre refresh completed), data, automation and security enhancements
- Appropriate response to internal audit findings and risks identified
- Active involvement in industry and regulatory bodies

Key risk management

PSG Konsult manages the major risks it faces and understands that risk management is key to ensuring sustainable growth and success.

Risks faced are within PSG Konsult's risk tolerance levels, and challenges experienced are adequately addressed. This is supported by the outcome documented in the ORSA report produced for the group. Our key risks and responses are summarised below and remained largely unchanged.

Strategic risk	
Ensuring business plans, strategies and decisions are appropriate to maintain acceptable levels of risk (risk vs. reward), grow recurring revenues and enhance operating margins	• Oversight by the PSG Konsult board and Exco • Quarterly business strategy sessions focusing on each division and business unit • Key metrics defined and regularly monitored (daily, weekly, monthly and quarterly) • Strong corporate governance and established risk management structures • Dedicated marketing team ensuring client and brand focus remains intact • Annual ORSA report produced to demonstrate business sustainability and resilience
Regulatory risk ¹	
Complying with all regulatory requirements (including new or changed requirements), while complaints remain stable and under control	• Dedicated independent legal and compliance function • Oversight by the compliance, risk and legal committees • Central oversight of legislative changes by the group's legislation committee • Oversight of implementation of any change by the operating committee • Active engagement with regulators and representation at most major industry and regulatory bodies • Monthly and quarterly capital adequacy review
Business and operational risk ¹	
Scanning, evaluating, enhancing and responding to environment changes	• Oversight by the Manco and operating committee • Complaints monitored by the CSRC • Outsourcing principles and oversight established • Key projects/initiatives guided by the project management and engineering offices • Dedicated management information system team • Business continuity capability established (including communications, crisis management plans and testing)
On-time incident response and strengthening the technology environment	• Operational incident management system in place • Processes audited and improvements actioned • Enhanced processes via automation and IT optimisation

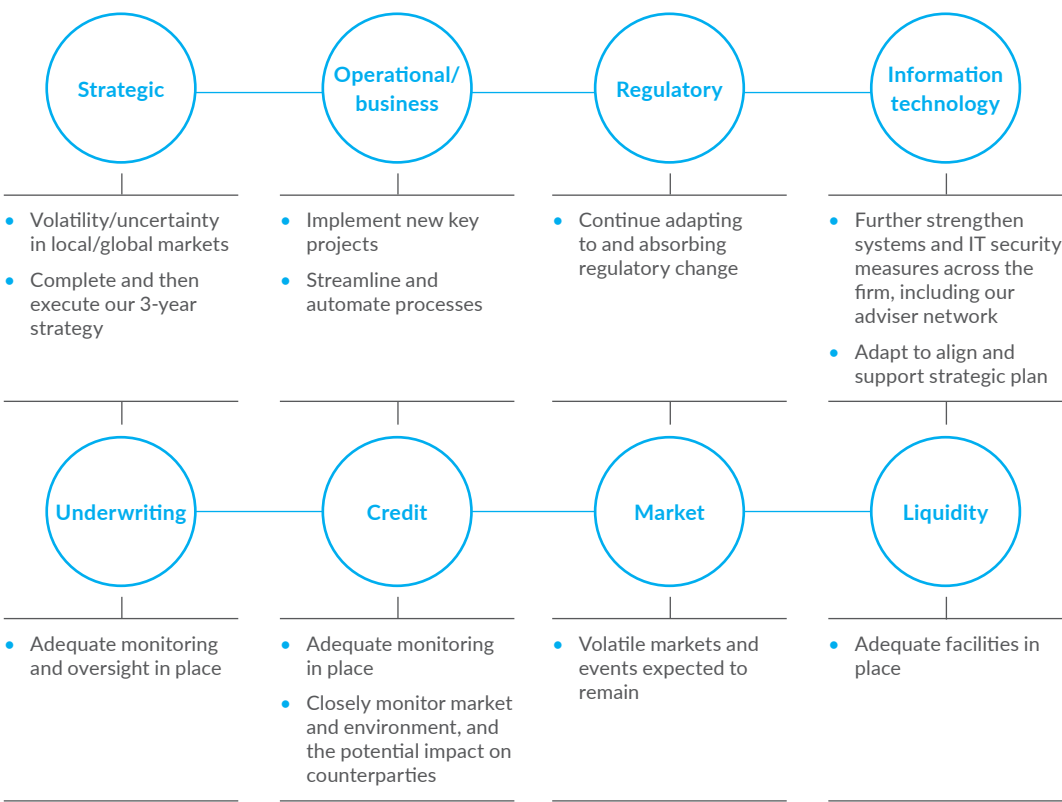
IT risk (including data) ¹	
Adequate investment in technology, with governance enhancements made	• Oversight by the operating committee • Cyber security enhancements finalised • IT security council established to monitor latest threats • Group-wide IT security threat and awareness campaigns • Comprehensive data governance and technical councils in place • Applications enhanced in preparation for future cloud deployment • IT business continuity and disaster recovery plans adequate • Policies increased and enhanced to align with regulations and strengthen IT environment (i.e. cyber incident management plan, end-point device, etc.) • IT risk reporting to the board improved
Underwriting risk (non-life) ^{1,2}	
Western Group book performance monitored, corrective action taken and poor binders cancelled	• Underwriting risk mainly limited to non-life insurance activities at Western Group • Oversight by the Western Group risk committee • Quality underwriting reports monitored by the actuarial team • Limited insurance and investment risk retention levels • Mitigating action taken for areas where improvements are identified • Capital modelling and stress testing ensuring adequate capital levels are maintained
Counterparty risk (including credit risk) ²	
High-quality counterparty exposure and adequate margins maintained	• Combined oversight by the credit committee, investment committee and relevant Mancos in the group • Exposure mainly limited to top-rated local and international banks and corporates • Margin business exposure monitored daily • Sufficient collateral held for most loans and security provided • Products and providers overseen by the product governance committees • Reinsurance panel overseen by the Western Group risk committee
Market/investment risk ²	
Consistent investment philosophy applied	• Oversight by the investment committee • Shareholder assets invested mainly in cash and low-risk unit trusts • Risk-based investment processes applied by PSG Asset Management, reviewed regularly and enhanced when needed • Portfolio and fund committees in place supporting our advisers • Internal limits aligned to appetite and fund sizes with compliance monitoring in place • Transparent and measurable products with relatively low level of complexity
Liquidity risk ^{1,2}	
Centralised treasury function	• Oversight by the investment committee • Centralised treasury function manages group capital and funding requirements • Monthly cash flow analysis, scenario-based forecasts and reporting • Monthly asset/liability matching and reconciliation • Regulatory capital requirements managed and monitored separately • Bank funding facilities available • Enhanced liquidity reporting and visibility to encourage key decisions

¹ Components of the section were included and audited as part of the risk-based internal audit programme.

² Components of the section were audited by the external auditor, PricewaterhouseCoopers Inc.

The year ahead

PSG Konsult will, as always, continue to anticipate, understand and respond to change and new or emerging risks. Our risk profile outlook for 2022 (based on expected change, challenge and resource allocation to respond) can be summarised as follows:



Remuneration report

The remuneration committee chairman's statement

Introduction and context

I am pleased to present the 2021 remuneration report to the shareholders on behalf of PSG Konsult's board of directors and Remco. This report encompasses PSG Konsult's board-approved remuneration policy and framework, and reports on the implementation thereof.

The operating environment remains challenging and has been impacted by the COVID-19 pandemic in the past year. Management has, however, continued to successfully execute the business strategy through profitable, sustainable growth in 2021. PSG Konsult registered a strong five-year compounded annual growth rate for recurring headline earnings of 11%, core income growth of 10%, growth in the total assets under management of 12% and growth in dividends per share of 13%.

Our approach to remuneration demonstrates an industry heavily reliant on intellectual capital that is people-orientated and driven by exceptional talent, producing both individual and group performance. We develop entrepreneurs in an agile corporate structure, fit for the rapidly changing environment in which we operate. Our remuneration framework is competitive in our market and supports shareholder value creation.

Despite not being required to, considering that the non-binding advisory votes were passed by the requisite majorities, the Remco still engaged one on one with institutional investors regarding any feedback or concerns related to our remuneration policy and remuneration implementation report. The Remco will continue to do this in future.

Our 'fit for purpose' remuneration policy and framework are set out in the remuneration policy section of this report from page 92. We are satisfied that the 2021 remuneration policy achieved its stated objectives.

In conclusion

Our 2021 remuneration policy was well received by shareholders and achieved a non-binding advisory vote of 97.1% in its favour at the 2020 AGM, while the remuneration implementation report also received a vote of 97.3% in its favour.

We will put our 2022 remuneration policy, which remains unchanged, and our implementation report to two separate non-binding advisory votes at our AGM. If the remuneration policy or implementation report is voted against by 25% or more of the votes exercised at the AGM, PSG Konsult will, in its voting results announcement pursuant to the JSE Listings Requirements, extend an invitation to dissenting shareholders to engage with the group. We look forward to your ongoing support and engagement on the policy.



KK Combi

Chairman of the remuneration committee

Remuneration policy

Introduction

PSG Konsult and all its subsidiary entities, including insurance entities (the group) aim to remunerate directors, executives and employees fairly and responsibly. This approach observes remuneration best practices to ensure the group attracts and retains appropriate skills and talent.

Sound remuneration practices are an essential component of an effective governance framework. The remuneration policies and practices aim to align remuneration with the long-term interests of the group and other stakeholders and to discourage excessive or inappropriate risk-taking.

Philosophy

PSG Konsult's core remuneration philosophy is based on reward for financial and relevant non-financial performance, and is aligned with its overall business strategy, objectives, values, target corporate culture and risk appetite (including the group's risk management practices) – maintaining compliance with all relevant regulations and market practices. Profitability, business processes and risks, clients and people are the KPIs for reward. Three performance components are considered for annual increases: group results, divisional performance and individual performance, with due consideration given to inflation.

Policy scope

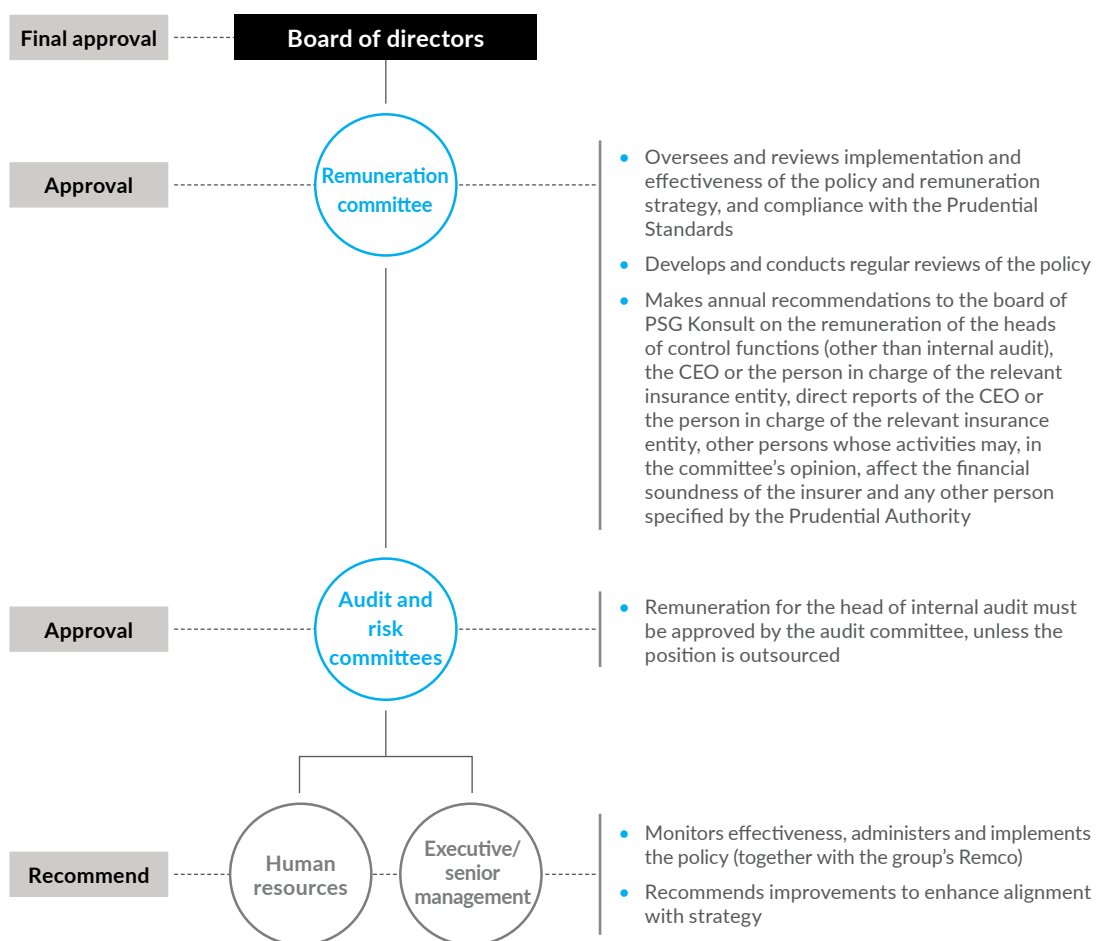
This remuneration policy (the policy) is a general policy applicable to all employees¹ of the group (which, for the avoidance of doubt, includes all key persons and other persons whose actions may have a material impact on the risk exposure of the group, including persons to whom functions are outsourced). The policy outlines the approach of the group to remunerating directors, executives and employees.

For all remuneration considerations, 'remuneration' has the meaning as defined in section 30(6) of the Companies Act:

- "(6) For the purposes of subsections (4) and (5), 'remuneration' includes –
- a. fees paid to directors for services rendered by them to or on behalf of the group, including any amount paid to a person in respect of the person's accepting the office of director;
 - b. salary, bonuses and performance-related payments;
 - c. expense allowances, to the extent that the director is not required to account for the allowance;
 - d. contributions paid under any pension scheme not otherwise required to be disclosed in terms of subsection (4)(b);
 - e. the value of any option or right given directly or indirectly to a director, past director or future director, or person related to any of them, as contemplated in section 42;
 - f. financial assistance to a director, past director or future director, or person related to any of them, for the subscription of options or securities, or the purchase of securities, as contemplated in section 44; and
 - g. with respect to any loan or other financial assistance by the group to a director, past director or future director, or a person related to any of them, or any loan made by a third party to any such person, as contemplated in section 45, if the group is a guarantor of that loan, the value of –
 - i. any interest deferred, waived or forgiven; or
 - ii. the difference in value between –
 - (aa) the interest that would reasonably be charged in comparable circumstances at fair market rates in an arm's length transaction; and
 - (bb) the interest actually charged to the borrower, if less."

¹ Excluding all shared offices' advisers and their support staff. Various compensating controls are in place to prevent inappropriate behaviour and excessive risk-taking.

Roles and responsibilities relating to the policy



Objectives

The group aims to remunerate fairly and responsibly on the basis that equal work receives equivalent pay. It also considers remuneration best practices to make sure that it attracts, develops and retains relevant skills and talent. At the same time, remuneration practices must:

- Not induce excessive or inappropriate risk-taking
- Be in line with the group's business strategy and risk appetite statements
- Provide a clear, transparent and effective governance structure around remuneration
- Protect the long-term interests of the group, its employees, its shareholders and its policyholders
- Consider the provisions of the Employment Equity Act, No. 55 of 1998, as amended

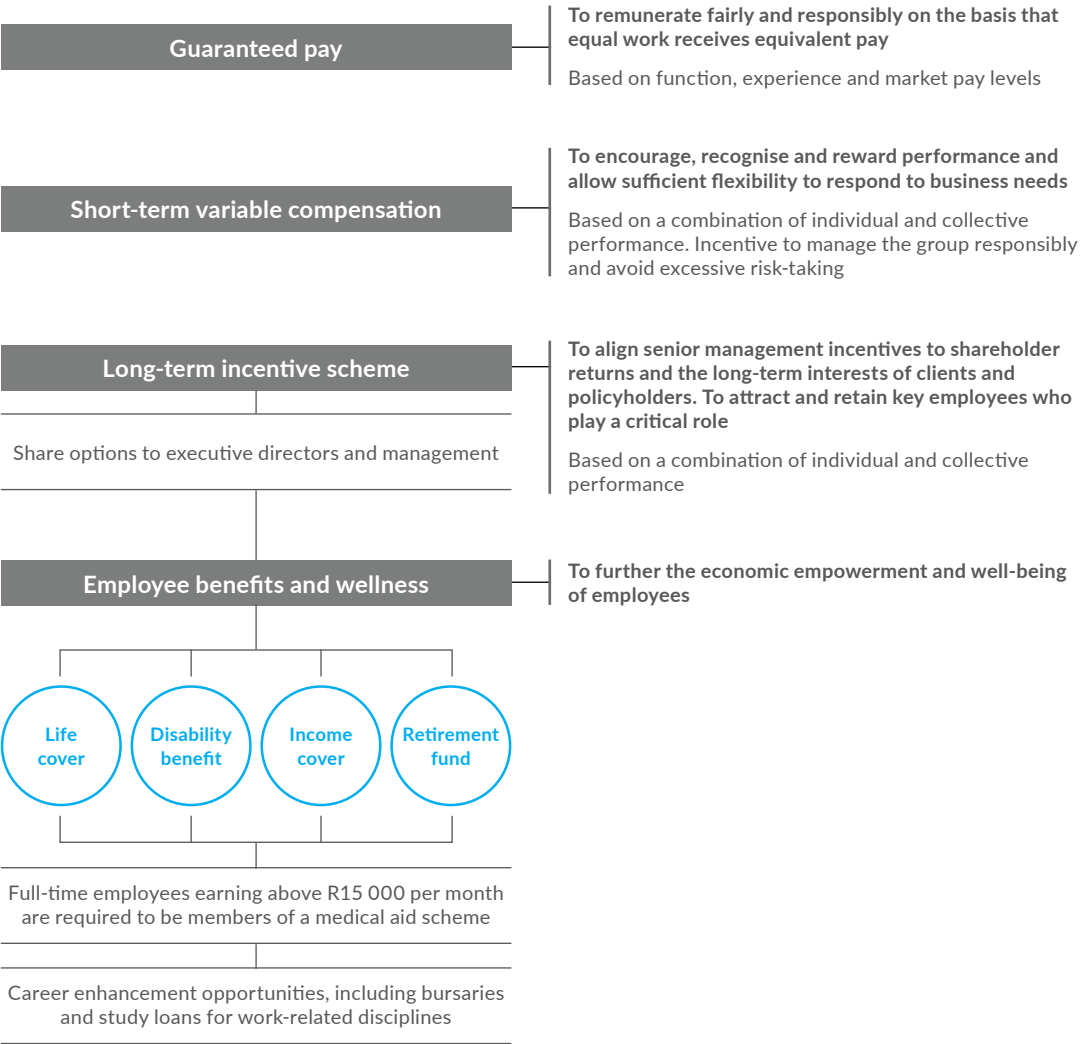
In relation to remuneration and specifically the principle of equal pay for work of equal value, the group bases fair and responsible pay on the concept of 'pay for performance' (which includes financial (if relevant) and non-financial performance). Consequently, there is no pay differentiation based on gender or racial classification.

The group also offers development through career enhancement opportunities, including bursaries and study loans for work-related disciplines or future business requirements in specialist fields.

Remuneration elements

The group determines its compensation pool based on its financial performance, after considering its risk appetite. The group's risk appetite is informed by its governance and risk management structures. These structures consider both qualitative and quantitative risk factors at group, divisional and insurance entity levels as part of the risk management system, in a proportionate and risk-based manner.

Remuneration elements include:



Guaranteed pay

Pay bands are broad and allow for flexibility to ensure that individual expertise and experience are duly considered. The group Remco has structured remuneration for executives and senior employees who have authority and responsibility for planning, directing and controlling the activities of the group, to allow for higher levels of variable pay than guaranteed (fixed) remuneration. This ensures these employees are adequately incentivised to manage the group responsibly and avoid excessive risk-taking, and assists the group to manage operational costs.

Individual performance appraisals identify talent at all levels in the group and enable fair and competitive pay based on function, experience and market pay levels.

Short-term variable compensation

Short-term variable compensation awards are designed to encourage, recognise and reward performance and allow enough flexibility to respond to different business needs. However, short-term variable compensation is not guaranteed. The assessment of performance is based on a combination of individual and collective performance, such as performance of the business area and the overall results of the group or the relevant insurance entity.

The group determines the size of its short-term variable compensation pool every year, based on a total compensation ratio linked to overall group and divisional profitability. Divisional variable compensation pools are split among divisional key individuals and executives, based on individual performance and responsible risk management. The total short-term variable compensation pool and the way it is allocated is agreed with the group Remco every year, giving due consideration to a range of qualitative and quantitative factors.

In measuring and evaluating the business performance, the following guiding strategic principles and KPIs are considered:

- Recurring revenues and recurring headline earnings per share (optimising long-term sustainable returns per share)
- Operating margins demonstrating management's ability to attract new business and increase market share without compromising margins by controlling costs
- Risk vs return – optimising returns per unit of risk taken, by implementing various risk reduction and mitigation measures

Short-term variable compensation deferral

In respect of executive and key individuals with less than 10 years' service, 30% of their short-term variable compensation award is deferred over 2 years and at participants' election may be invested in either PSG Konsult shares or a PSG unit trust fund. Participants are eligible to receive 50% of their deferred short-term variable compensation award after the first anniversary and the remaining 50% on the second anniversary of the award date. These executives and key individuals will forfeit the deferred short-term variable compensation incentive award if they are not in the group's employment on the relevant vesting date. Executives and key individuals with more than 10 years' service are entitled to the full short-term variable compensation award annually without deferment.

Commission incentives earned by sales employees are linked to new business targets. However, risk and pricing are determined independently by managing existing pricing policies and/or underwriting and related risk policies.

Long-term incentive scheme

Annually, the group Remco awards share options to align senior management incentives to shareholder returns and the long-term interests of clients and policyholders. This incentive also seeks to attract and retain key senior employees who play a critical role in the business successes of the group. According to the share incentive scheme, the group grants share options to executive directors and management. These share options are allocated to participants at the relevant grant date based on the 30-day volume-weighted-average price (VWAP). The scheme vests over a five-year period from the date on which the share option was awarded.

Shares vest as follows:

- Two years after grant date: 25%
- Three years after grant date: 25%
- Four years after grant date: 25%
- Five years after grant date: 25%

The participants have five months to exercise options after they vest. No beneficiary shall be entitled to payment of any dividend or any other rights attached to any shares until the date of registration of such shares in the name of the beneficiary.

Termination of employment

Death, retirement or retrenchment: Any options that can be exercised at the date of retirement or retrenchment of the beneficiary or 12 months thereafter can be exercised. The board at its discretion may permit the beneficiary to exercise any or all of the unexercised options.

Dismissal: If a beneficiary ceases to be an employee by reason of dismissal on the grounds of misconduct, poor performance or dishonest or fraudulent conduct, then that beneficiary shall be deemed to have immediately forfeited their rights in respect of any unexercised options.

Resignation: If a beneficiary ceases to be an employee by reason of resignation, that beneficiary shall be deemed to have immediately forfeited their rights to any unexercised options.

Employee benefits and wellness

The group provides three times group life cover and disability benefit and income cover, which is capped at the lower of 75% of the employee's guaranteed pay or R250 000 per month (amount is adjusted annually for inflation).

All full-time employees earning above R15 000 per month are required to be members of a medical aid scheme.

All full-time employees are required to invest at least 5% of their guaranteed pay in the group's retirement fund.

Remuneration of key persons

Non-executive members of the board

Non-executive directors receive market-related fixed salaries based on the type and number of board committees on which they serve. These salaries are determined and recommended by relevant senior management for consideration by the group Remco, and for final approval by the shareholders at the AGM.

The proposed non-executive director fees for the period 1 March 2021 to 28 February 2022 are as follows (exclusive of VAT):

Role	FY2022 ¹
Chairman	R1 056 800
Board member	R258 800
Audit committee chairman	R117 400
Audit committee member	R70 400
Risk committee chairman	R117 400
Risk committee member	R70 400
Remuneration committee chairman	R58 700
Remuneration committee member	R35 200
Social and ethics committee chairperson	R58 700
Social and ethics committee member	R35 200
Nominations committee chairman	R29 350
Nominations committee member	R17 600

¹ It is proposed to increase non-executive fees by 3.5% compared to the current year.

Executive members of the board, senior management and employees carrying out key risk-taking functions as determined by the board, whose remuneration is linked at least in part to the success of those activities. The guaranteed remuneration for each of these employees will be adequate. Guaranteed remuneration will be based on the individual employee's responsibilities, performance (including financial (if relevant) and non-financial performance) and prospects. Employees agree with line managers on their KPIs and undergo bi-annual performance reviews.

In addition to their guaranteed remuneration, these employees may also receive variable compensation, if this remuneration:

- Is based on the overall performance of the group, division or insurance entity and considers both financial and non-financial components, goals and targets
- Is based on the performance of the employee in relation to established quantitative and qualitative goals and targets
- Is aligned with the time horizons of the risk it is rewarding, and with the risk profile of the business
- Promotes sound and effective risk management and does not encourage undue or excessive risk-taking
- Supports the business strategy and objectives

Heads of control functions

Group senior management recommends total compensation (both fixed and variable) for the group heads of control functions:

- Internal audit function: Recommendation to the group audit committee for approval
- Finance, risk and compliance functions: Recommendation to the group Remco for consideration

Senior management in each insurance entity will recommend total compensation (both fixed and variable) for its heads of control functions:

- Internal audit function: Recommendation to the relevant audit committee for approval, unless outsourced
- Finance, risk, compliance and actuarial functions (if relevant): Recommendation to the group Remco for consideration

The guaranteed remuneration for each of these employees is adequate. Guaranteed remuneration is based on the individual employee's responsibilities, performance (including financial (if relevant) and non-financial performance) and prospects.

In addition to their guaranteed remuneration, these employees may also receive variable remuneration, if this remuneration:

- Is not linked to the performance of any business units that they control or oversee
- Does not in any way undermine their independence from senior management

Remuneration of other employees

The guaranteed remuneration for other employees is competitive. Guaranteed remuneration is based on the individual employee's responsibilities, performance and prospects.

In addition to their guaranteed remuneration, these employees may also receive variable remuneration if this remuneration:

- Is based on the performance of the group, division or insurance entity
- Is based on the performance of the individual employee

Governance

Remuneration is governed by the group Remco. This committee is mandated by the boards of PSG Konsult and its insurance entities, and reports to them. The group Remco also governs how remuneration is administered. It considers the holistic compensation model and the specific remuneration of all executive directors and prescribed officers, including fees paid to all non-executive directors.

The Remco is also responsible for awarding share incentives to group executives, and ensuring they are market- and performance-related.

This committee makes annual recommendations to the board of directors on the remuneration of the CEO or the person controlling the relevant insurance entity, direct reports of the CEO or the person controlling the relevant insurance entity, other persons whose activities may, in the group Remco's opinion, affect the financial soundness of the group or relevant insurance entity and any other person specified by the Prudential Authority.

The group Remco is responsible for developing and conducting regular reviews of this policy and monitoring its implementation and effectiveness and its compliance with the relevant Prudential Standard. Under King IV and the Companies Act, individual remuneration of prescribed officers is disclosed. Full compensation details are in the implementation report, which is included from page 98. An independent control function monitors how remuneration is applied to make sure the group Remco complies with this policy.

The group Remco is governed by its terms of reference.

Guidelines in reviewing the effectiveness of the policy

Remuneration packages designed within the scope of the policy should be successful in attracting and retaining staff. If management continually needs to exercise discretion or agree to one-off deals to attract or retain executives, the policy may need to be reviewed.

Over time, reward management may change due to changes in the group's structure, market pressures to attract and retain talent, strategic priorities, legislation, regulations, governance requirements and the organisation's values.

This policy will be reviewed once a year by the group Remco, in line with the terms of reference. Any changes to the policy, as required from time to time, are approved by the board and material changes are communicated to the relevant subsidiary boards.

Implementation report

Fixed remuneration

The remuneration committee approved salary increases for employees in line with the industry sector for the 2021 financial year. However, executive directors did not receive a salary increase due to market conditions at the time.

After due consideration and taking into account current market conditions, the committee is satisfied that the increase levels for executive directors for the 2022 financial year are in line with the increase levels for all other employees.

Long-term incentives (LTIs)

A key feature of the group's share incentive scheme is the alignment of senior management incentives, including those of the executive directors, with shareholder returns and the long-term interests of clients and policyholders. This incentive also seeks to attract and retain key senior employees who play a critical role in business success.

Evaluating executive directors' long-term remuneration

The value of options redeemed/exercised during the year and closing indicative expected value included in the table on page 100 should be considered in light of the group's remuneration policy, which is specifically designed to align the interests of the executive directors with those of shareholders. It also aims to align directors' successful execution of the group's objective of value creation for shareholders with the long-term interests of clients and policyholders.

It is evident from the group's performance that it has provided its shareholders with superior returns over a number of years, with the group's executive directors having benefited accordingly from the share incentive scheme.

This is in part owing to the group attracting and retaining the services of talented executives and employees, which is only achievable if the group's remuneration practices are appropriate and competitive.

When evaluating the group's performance over the long term, the TRI is the most meaningful measurement tool. The TRI is the CAGR of an investment and is calculated by considering share price appreciation, dividends and other distributions. This is a sound measure of wealth creation and a reliable means of benchmarking different companies. The group's TRI as at 28 February 2021 was 27% per annum since 2005. Therefore, R100 000 worth of PSG Konsult shares purchased on 11 April 2005, with dividends reinvested, would be worth R4 396 771 as at 28 February 2021. The same investment in the JSE ALSI over the same period would be worth R787 380 (82% lower).

Over the past five years the group achieved a CAGR of 10% in recurring headline earnings per share, which is a best-in-class performance relative to other financial services companies in South Africa.

Remuneration policy implementation – additional disclosure

Malus, clawback and performance hurdle provisions

- Key individuals with less than 10 years' service forfeit their deferred short-term variable incentive awards (STI), if they are not in the group's employment on vesting date, whether due to resignation or termination of services. The group's STI policy therefore has an embedded malus provision where an employee's actions result in termination of services.
- Share options are awarded to executives and qualifying employees with the primary objective of retaining their services and aligning their interests with those of shareholders, representing substantial value creation through a combination of share price appreciation and payment of dividends over the long term.

Share options are awarded annually at the discretion of the remuneration committee subject to the participant achieving personal KPIs as well as the group meeting its financial hurdles.

PSG Konsult share options are awarded to participants at a strike price equal to the 30-day VWAP ruling market price and are therefore fully priced share options.

Fully priced share options include embedded performance hurdles as management-only benefits if the share price increases above the vesting price, ensuring better alignment with shareholders.

Executive directors' key performance measures

The Remco determines the awards to the executive directors based on individual performance, which is measured quantitatively and qualitatively. Please note that, in some instances, the Remco considers the disclosure of certain performance measures to be commercially sensitive. The following tables provide details of the KPIs that the Remco has considered. The weightings have been assigned to each KPI to give the reader a sense of the relative importance of each measure in the current financial year. They have not been used to perform a formulaic, overall score for the executive concerned. The Remco, having evaluated the performance of the CEO and CFO during the period, has concluded that they either met or exceeded requirements of each of the overleaf KPI requirements.

Chief executive officer**Quantitative factors 50%****Financial indicators**

- Ensure quality of earnings growth in context of macroeconomic indicators
- Generate risk-adjusted returns on shareholder assets
- Operate business within acceptable risk appetite tolerance levels

Qualitative factors 50%**Strategy and guidance**

- Determine strategy and provide strategic guidance and direction including problem solving when needed
- Identify market-leading client acquisition opportunities

Projects and initiatives

- Monitor and oversee priority projects and key business initiatives
- Oversee client journey improvements (great client service)
- Oversee and manage all high-risk and complex business matters
- Facilitate progressive transformation (ensure processes are in place to reach transformation targets)

People management

- Oversee performance management and succession planning of senior management team
- Create a high-performance working environment across the group by leading by example

Stakeholder relationships

- Manage investor relations (analyst discussions, meetings and presentations)
- Maintain and build positive strategic relationships with regulators, non-executive directors, advisers and key stakeholders

Chief financial officer**Quantitative factors 33%****Financial indicators**

- Provide effective cost management and control
- Oversee and manage business capital, regulatory solvency and liquidity requirements
- Optimise risk-adjusted returns on shareholder assets
- Oversee financial risk exposure and assist business to operate within acceptable risk appetite tolerance levels

Qualitative factors 67%**Financial reporting**

- Meet all external and internal financial reporting obligations
- Ensure quality and timeous financial reporting (annual, interim, monthly and budgets)
- Prepare quality and timeous board and committee presentations and packs

Control environment

- Maintain sound financial control environment (minimal operational incidents)
- Achieve minimal adverse external or internal audit findings
- Ensure group compliance with tax legislation
- Ensure compliance with JSE Listings Requirements and Companies Act requirements

Projects and initiatives

- Deliver and execute priority projects successfully
- Oversee and manage all high-risk and complex finance-related business matters
- Facilitate progressive transformation (monitoring and reporting on transformation objectives)

People management

- Oversee finance team (project prioritisation, staff development, performance management and succession planning)
- Ensure appropriate talent management (attract, retain, mentor and develop staff)
- Create a high-performance working environment by leading by example

Stakeholder relationships

- Support investor relations (analyst discussions, meetings and presentations)
- Build positive strategic relationships with regulators, bankers, rating agencies, professional advisers, SARS, non-executive directors and key shareholders

The table below discloses the value of each director's LTIs, whether allocated, settled or forfeited, as well as the current value of shares not yet settled.

The following directors' remuneration was accrued by subsidiaries in the PSG Group for the year ended 28 February 2021:

Equity-based remuneration

PSG Konsult Limited share options in terms of the PSG Konsult Group Share Incentive Trust

Audited	Number of share options as at 29 Feb 2020	Number of share options during year			Market price per share on vesting date	Vesting price per share	Date granted	Number of share options as at 28 Feb 2021	Value of options redeemed/ exercised during year ¹ R000	Closing indicative expected value as at 28 Feb 2021 ^{2,3} R000
		Granted	Vested	Expired						
Executive										
FJ Gouws	223 795	-	(223 795)	-	R7.90	R7.27	1/04/2015	-	141	-
	5 167 789	-	(2 583 895)	-	R7.90	R6.81	1/04/2016	2 583 894	2 816	5 633
	2 367 419	-	(789 140)	-	R7.90	R7.59	1/04/2017	1 578 279	245	2 210
	3 750 000	-	-	(937 500)	-	R8.74	1/04/2018	2 812 500	-	703
	4 000 000	-	-	-	-	R10.15	1/04/2019	4 000 000	-	(4 640)
	-	4 800 000	-	-	-	R7.13	1/04/2020	4 800 000	-	8 928
	15 509 003	4 800 000	(3 596 830)	(937 500)				15 774 673	3 202	
MIF Smith	177 390	-	(177 390)	-	R7.90	R7.27	1/04/2015	-	112	-
	1 199 075	-	(599 537)	-	R7.90	R6.81	1/04/2016	599 538	653	1 307
	772 581	-	(257 527)	-	R7.90	R7.59	1/04/2017	515 054	80	721
	1 200 000	-	-	(300 000)	-	R8.74	1/04/2018	900 000	-	225
	1 000 000	-	-	-	-	R10.15	1/04/2019	1 000 000	-	(1 160)
	-	1 200 000	-	-	-	R7.13	1/04/2020	1 200 000	-	2 232
	4 349 046	1 200 000	(1 034 454)	(300 000)				4 214 592	845	

¹ The value of options redeemed/exercised is the number of share options exercised in the 2021 financial year multiplied by growth in share price (market value share price at exercise less option grant price).

² This column shows the number of outstanding options at year-end multiplied by the PSG Konsult year-end share price, less the strike price of the instruments.

³ The negative value represents the amount by which the share price will need to recover before these share options are in-the-money.

The following share option awards were accepted in terms of the PSG Konsult Group Share Incentive Trust between the end of the financial year and the date of this report:

- On 28 April 2021 Messrs FJ Gouws and MIF Smith respectively accepted 8 500 000 and 2 100 000 share option awards at a strike price of R9.08 per share. These are exercisable in tranches of 25% each on the 2nd, 3rd, 4th and 5th anniversary of the award date.

PSG Group Limited share options in terms of the PSG Group Limited Supplementary Share Incentive Trust

Audited	Number of share options as at 29 Feb 2020	Number of share options during year		Market price per share on vesting date ⁴	Vesting price per share ⁴		Date granted	Number of share options as at 28 Feb 2021	Value of options redeemed/ exercised during year ¹ R000	Closing indicative expected value as at 28 Feb 2021 ² R000
		Granted	Vested ³		Before Capitec unbundling	After Capitec unbundling				
Non-executive										
PJ Mouton	18 674	-	(18 674)	R 172.91	R 136.84	-	28/02/2015	-	674	-
	41 997	-	(20 998)	R 172.91	R 178.29	R 21.39	29/02/2016	20 999	-	960
	63 152	-	(21 051)	R 172.91	R 237.31	R28.68 - R39.47	28/02/2017	42 101	-	1 391
	113 018	-	(28 255)	R 172.91	R 236.13	R19.50 - R39.11	28/02/2018	84 763	-	3 232
	227 700	-	-	-	R 250.56	R14.73 - R42.91	28/02/2019	227 700	-	8 862
	183 503	-	-	-	R 213.71	R(2.51) - R22.27	29/02/2020	183 503	-	10 529
	-	349 875	-	-	-	R 67.12	28/02/2021	349 875	-	-
	648 044	349 875	(88 978)					908 941	674	

¹ The value of options redeemed/exercised is the number of share options exercised in the 2021 financial year multiplied by growth in share price (market value share price at exercise less option grant price).

² This column shows the number of outstanding options at year-end multiplied by the PSG Group Limited 30-day VWAP, less the strike price of the instruments.

³ The director has not yet elected to exercise his right in terms of the provisions of the share incentive scheme to exercise his share options that became exercisable on 28 February 2021. Such right will be exercised within the 180-day exercise window.

⁴ Share options exercised during the current year were exercised prior to the Capitec unbundling taking effect. Pursuant to the Capitec unbundling, share options' strike prices were adjusted.

Directors' and prescribed officers' remuneration

The remuneration received by the PSG Konsult executive directors, non-executive directors and prescribed officers, from subsidiaries in the PSG Group, for the 2021 and 2020 financial years, is set out in the following tables:

Cash-based remuneration

Audited	Directors' fees R000	Basic salary R000	Bonuses and performance-related payments R000	Expense allowances R000	Company contributions R000	LTI R000	Total 2021 R000	Total 2020 R000
Executive								
FJ Gouws ^{1,7}	266	5 472	23 211	-	65	3 202	32 216	47 012
MIF Smith ⁸	-	2 604	8 500	96	45	845	12 090	15 873
	266	8 076	31 711	96	110	4 047	44 306	62 885
Non-executive								
W Theron ¹⁰	1 483	-	-	-	-	-	1 483	1 458
J de V du Toit	403	-	-	-	-	-	403	403
PJ Mouton ^{2,9}	-	12 620	-	-	-	674	13 294	47 316
PE Burton ³	1 266	-	-	-	-	-	1 266	1 259
ZL Combi ⁴	1 624	-	-	-	-	-	1 624	1 725
R Stassen	-	-	-	-	-	-	-	63
Z Matsau ⁵	587	-	-	-	-	-	587	558
T Isaacs ⁶	250	-	-	-	-	-	250	63
A Sangqu ⁶	250	-	-	-	-	-	250	63
	5 863	12 620	-	-	-	674	19 157	52 908
	6 129	20 696	31 711	96	110	4 721	63 463	115 793

¹ Director's fee of R0.3 million (2020: R0.3 million) paid to PSG Management Services Proprietary Limited as non-executive director of PSG Group Limited.

² Director's fee of R0.3 million (2020: R0.3 million) was paid to a subsidiary of PSG Group Limited.

³ Director's fee of R0.6 million (2020: R0.6 million) was paid as non-executive director of PSG Group Limited. R0.1 million (2020: R0.1 million) was paid as non-executive director of PSG Konsult Limited subsidiaries.

⁴ Director's fee of R0.7 million (2020: R0.7 million) paid as non-executive director of PSG Group Limited. R0.4 million (2020: R0.5 million) was paid as non-executive director of Curro Holdings Limited.

⁵ Director's fee of R0.1 million (2020: R0.1 million) was paid as non-executive director of PSG Konsult Limited subsidiary entities.

⁶ Appointed as a director of PSG Konsult Limited with effect from 1 January 2020.

⁷ Total performance incentive bonus awarded was R24.0 million (2020: R21.2 million). 70% of bonus awarded, being R16.8 million (2020: R14.9 million), is unconditional and was paid in cash in April 2021 and April 2020 respectively. The remaining 30% has been paid to the director, however is conditional on the director remaining in employment and is subject to clawback provisions. The conditional portion of the bonus vests as follows: R3.6 million in April 2022 (2020: R3.2 million in April 2021), being 12 months after award date, while the remaining R3.6 million (2020: R3.2 million; 2019: R3.2 million) is conditional for 24 months until April 2023 (2020: April 2022; 2019: April 2021).

⁸ Total performance incentive bonus awarded was R8.5 million (2020: R7.4 million), which was paid in cash in April 2021 and April 2020 respectively, as the director has more than 10 years service in the group (no service conditions attached to release of 30% deferred portion of bonus award).

⁹ PJ Mouton is a non-executive director of PSG Konsult Limited and has a standard service contract with PSG Corporate Services (Pty) Ltd (PSGCS). His remuneration for services rendered as executive director within the PSG Group for its financial year ended 28 February 2021 was R12.4 million (2020: R12.4 million), of which 30% is deferred for a period of 12 months subject to him remaining in PSGCS's employment and malus/clawback provisions. Including the vesting of the prior year deferred portion, his remuneration for the financial year ended 28 February 2021 was R12.6 million. PJ Mouton's gain on the vesting of PSG Group Limited share options during August 2020 amounted to R0.7 million.

¹⁰ Director's fee of R0.5 million (2020: R0.4 million) was paid as non-executive director of PSG Konsult Limited subsidiary entities.

Approval

This remuneration report was approved by the Remco on 11 March 2021. The Remco is satisfied that there are no deviations from the remuneration policy in its implementation during the 2021 financial year.





Annual Financial Statements

104	Report of the audit committee
106	Statement of responsibility by the board of directors
107	Preparation and presentation of the annual financial statements
107	Statement on internal financial controls
107	Certificate by the company secretary
108	Report of the board of directors
113	Independent auditor's report
118	Consolidated statement of financial position
119	Consolidated income statement
120	Consolidated statement of comprehensive income
121	Consolidated statement of changes in equity
122	Consolidated statement of cash flows
123	Summary of significant accounting policies
124	Segment reporting
133	Notes to the group financial statements
203	Company financial statements
221	Annexures

Report of the audit committee

for the year ended 28 February 2021

The committee is pleased to present its report for the financial year ended 28 February 2021.

The audit committee is an independent statutory committee appointed by the shareholders. Further duties are delegated to the audit committee by the board of directors of the company. This report includes both sets of duties and responsibilities.

The committee is responsible for ensuring the integrity of integrated reporting and reviewing the effectiveness of the financial reporting process, the system of internal control and management of financial risks, the assurance process, and the company's process for monitoring compliance with laws and regulations and its own code of business conduct. The committee recommends the annual financial statements for approval to the board and is responsible for monitoring, engaging with, and determining the remuneration of the external auditor.

Terms of reference

The audit committee has adopted a formal audit committee charter that has been approved by the board of directors, and the committee has executed its duties during the past financial year in compliance with the terms of reference. The terms of reference, including roles and responsibilities, were aligned with the recommendations of King IV, the requirements of the Companies Act and other regulatory requirements.

Composition and meeting proceedings

At 28 February 2021, the audit committee consisted of four non-executive directors who act independently as described in section 94 of the Companies Act.

For the financial year ended 28 February 2021, the members of the audit committee were:

Membership and attendance	13 April 2020	7 October 2020
J de V Du Toit	✓	✓
PE Burton	✓	✓
ZL Combi	✓	✓
ZRP Matsau	✓	✓
✓ Present		
* Apologies		

The committee met twice, formally, in the financial year under review and had full attendance. In addition, an ad hoc meeting was held on 27 October 2020 and attended by the majority of the committee. At the meetings, the members fulfilled all their functions as prescribed by the Companies Act, as well as those additional functions as determined by the board.

In addition, the CEO and the CFO attended all audit committee meetings by invitation. The group risk management function and internal audit function were also represented.

The external auditors, in their capacity as auditor to the company, attended and reported to all meetings of the audit committee.

Duties

In execution of its statutory duties during the past financial year, the audit committee has reviewed the interim and year-end financial statements, culminating in a recommendation to the board.

In the course of its review the committee:

- takes appropriate steps to ensure that the financial statements are prepared in accordance with IFRS;
- considers and, when appropriate, makes recommendations on internal financial controls;
- deals with concerns or complaints relating to:
 - accounting policies,
 - the auditing or content of annual financial statements, and
 - internal financial controls;
- reviews the external audit report on the annual financial statements;
- reviews the risk management reports and, where relevant, makes recommendations to the board;
- evaluates the effectiveness of risk management, controls and the governance processes;
- verifies the independence of the external auditor and of any nominee for appointment as the designated auditor;
- approves the audit fees and engagement terms of the external auditor; and
- determines the nature and extent of allowable non-audit services and approves the contract terms for the provision of non-audit services by the external auditor.

Legal requirements

The audit committee has complied with all applicable legal, regulatory and other responsibilities for the financial year.

External auditor

The board sets a policy that governs the level and nature of non-audit services, which requires preapproval by the audit committee for all non-audit services. In determining the independence of the external auditors, the committee considers the level and types of non-audit services provided as well as other enquiries and representations. As required by the Companies Act, the committee has satisfied itself that PSG Konsult Limited's external auditor, PricewaterhouseCoopers Inc., was independent of the company, as set out in sections 90(2)(c) and 94(8) of the Companies Act and is thereby able to conduct its audit functions without any undue influence from the company. The committee has considered the relevant audit quality indicators, including the audit firm's system of quality control. The committee was satisfied with the quality of the audit concluded. PricewaterhouseCoopers Inc., being the audit firm, as well as Mr RA Botha, being PSG Konsult's individual auditor for the 2021 financial year, have been accredited on the JSE list of auditors in terms of the criteria in the JSE Listings Requirements.

The group, following the conclusion of a tender process, on recommendation of the audit committee and endorsement by the board, has proposed the appointment of Deloitte & Touche as external auditor, with Nina le Riche as the designated audit partner, with effect from the financial year ending 28 February 2022. This appointment is subject to approval from the Prudential Authority of the South African Reserve Bank. Shareholders will be requested to approve the above appointment at PSG Konsult's 2021 AGM.

The change in external auditor was initiated by the group to early adopt mandatory audit firm rotation.

As required by section 3.84(g)(iii) of the JSE Listings Requirements, the committee has satisfied itself that Deloitte & Touche and Nina le Riche are suitable for appointment as audit firm and individual auditor, respectively, by considering, inter alia, the information stated in paragraph 22.15(h) of the JSE Listings Requirements.

Financial function

In terms of the JSE Listings Requirements, the audit committee performs an annual evaluation of the financial reporting function in PSG Konsult. The committee was satisfied that the financial reporting function had appropriate resources, skills, expertise and experience. The committee ensured that the appropriate financial reporting procedures exist and are operating as contemplated in paragraph 3.84(g)(ii) of the JSE Listings Requirements. The committee also satisfied itself in terms of paragraph 3.84(g)(i) of the JSE Listings Requirements that Mr MIF Smith, the group CFO of PSG Konsult, possesses the appropriate skills, expertise and experience to meet the responsibilities required for that position during his service as such.

Internal financial controls

The audit committee evaluated the company's internal financial controls and, based on the information and explanations given by management and the group internal audit function, as well as discussions with the independent external auditor regarding the results of their audit, the committee is satisfied that there was no material breakdown in the internal financial controls during the financial year under review.

The committee also reviews and approves the internal audit charter, reviews the effectiveness of the internal audit structures and considers the findings of internal audit. The committee is also responsible for the assessment of the performance of the group internal auditor.

Governance of risk

The board has assigned oversight of the company's risk management function to the risk committee. The chairman of the risk committee is also the chairman of the audit committee to ensure that information relevant to these committees is transferred effectively. The audit committee oversees financial reporting risks, internal financial controls, fraud and IT risks as these relate to financial reporting.

Going concern

The audit committee reviewed a documented assessment prepared by management, including key assumptions, of the going concern status of the company and made a recommendation to the board in accordance with this assessment. The board's statement on the going concern status appears on page 106 of the integrated report.

Annual report

The committee has evaluated the annual report (incorporating the integrated report) of the company and group for the year ended 28 February 2021, with specific consideration of the following significant financial reporting matter during the year:

- the key judgements used in the valuation of intangible assets.

In assessing the appropriateness of the key judgements used in the valuation of intangible assets, the committee determines whether they are reasonable in terms of the current macroeconomic climate and in line with assumptions utilised by comparable third parties. Refer to note 1 to the group financial statements for further information.

Based on the information provided to the committee, the committee considers that the group complies, in all material respects, with the requirements of the Companies Act and IFRS.



PE Burton
Chairman of the audit committee

17 May 2021

Statement of responsibility by the board of directors

for the year ended 28 February 2021

The directors of PSG Konsult Limited are responsible for the preparation, integrity and fair presentation of the group and company financial statements of PSG Konsult Limited. The group and company financial statements, comprising the statements of financial position at 28 February 2021, and the income statement, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, have been prepared in accordance with IFRS and the requirements of the Companies Act, and include amounts based on judgements and estimates made by management. In addition, the directors are responsible for preparing the report of the board of directors.

The directors consider that in preparing the annual financial statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements. Estimates have been used in the preparation of the annual financial statements and all statements of IFRS that are considered applicable have been followed. The directors are satisfied that the information contained in the annual financial statements fairly presents the results of operations for the year and the financial position of the group and company at year-end. The directors also prepared the report of the board of directors and other information included in the annual report and are responsible for its accuracy and consistency with the annual financial statements.

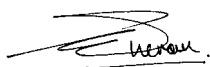
The directors have the responsibility of ensuring that adequate accounting records are kept. The accounting records should disclose, with reasonable accuracy, the financial position of the companies to enable the directors to ensure that the annual financial statements comply with relevant legislation.

PSG Konsult Limited operated in a well-established control environment, which is documented and regularly reviewed. The control environment incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and that the risks facing the business are being controlled and managed. To the best of their knowledge and belief, the directors are satisfied that no material breakdown in the operation of the systems of internal financial controls and procedures occurred during the year under review.

The going concern basis has been adopted in preparing the annual financial statements. Based on their assessment, the directors have no reason to believe that the group or any company in the group will not be a going concern in the foreseeable future, based on forecasts and available cash resources. These annual financial statements support the viability of the group.

It is the responsibility of the independent auditor to report on the annual financial statements. In order to do so, they were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The group's external auditor, PricewaterhouseCoopers Inc., audited the financial statements and their report is presented on pages 113 to 117.

The annual financial statements, presented on pages 118 to 255, were approved by the board of directors on 17 May 2021 and are signed on its behalf by:



W Theron
Chairman



FJ Gouws
Chief executive officer



MIF Smith
Chief financial officer

Preparation and presentation of the annual financial statements

for the year ended 28 February 2021

The annual financial statements for the year ended 28 February 2021 have been prepared under the supervision of the chief financial officer, Mr MIF Smith, CA(SA).

These annual financial statements have been audited by PricewaterhouseCoopers Inc. in accordance with the requirements of the Companies Act.

Statement on internal financial controls

for the year ended 28 February 2021

The directors, whose names are stated below, hereby confirm that:

- the annual financial statements, set out on pages 118 to 255, fairly present in all material respects the financial position, financial performance and cash flows of the group in terms of IFRS;
- no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries has been provided to effectively prepare the financial statements of the issuer; and
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of King IV. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.



FJ Gouws
Chief executive officer

17 May 2021



MIF Smith
Chief financial officer

17 May 2021

Certificate by the company secretary

for the year ended 28 February 2021

I hereby certify, in terms of section 88(2)(e) of the Companies Act, that to the best of my knowledge, for the year ended 28 February 2021, the company has lodged with the Companies and Intellectual Property Commission all such returns and notices as required of a public company in terms of the Companies Act and that all such returns and notices are true, correct and up to date.



S Hamit (on behalf of PSG Management Services Proprietary Limited)
Company secretary

17 May 2021

Report of the board of directors

for the year ended 28 February 2021

The directors take pleasure in presenting their integrated report, which includes the audited financial statements of PSG Konsult Limited (the company) and its subsidiaries (the group) for the year ended 28 February 2021 (the financial year or the year).

Nature of business

PSG Konsult Limited is a South African-based financial services group engaged in the offering of a comprehensive range of products and administration services, including investment management, stockbroking, insurance and investment broking, financial planning and advice, healthcare brokerage and administration, employment wealth benefits, management of local and foreign unit trusts, managed multi-manager solutions, retirement and structured products and the issue of short-term and long-term insurance contracts.

PSG Konsult Limited is incorporated in the Republic of South Africa and is a public company listed on the JSE, NSX and SEM.

Holding company

The company's holding company is PSG Financial Services Limited, a company incorporated in the Republic of South Africa. Its ultimate holding company is PSG Group Limited (PSG Group), a company incorporated in the Republic of South Africa and listed on the JSE.

Corporate governance

The board has satisfied itself that appropriate principles of corporate governance were applied throughout the year under review.

Financial results

The operating results and the state of affairs of the group and company are fully set out in the statements of financial position, income statement, statements of comprehensive income, statements of changes in equity, statements of cash flows and notes thereto.

The earnings attributable to equity holders of the group for the year under review were R697.7 million (2020: R647.0 million). The group's headline earnings attributable to shareholders amounted to R696.6 million (2020: R644.4 million).

Corporate transactions

The group, through its subsidiary PSG Multi Management Proprietary Limited, concluded a portfolio management acquisition transaction with some of its advisers during the year under review. The purpose of this transaction was to consolidate and align certain client share portfolio research and operational management activities within the firm. The consideration was paid with the issue of PSG Konsult shares (5 million shares at an average of R7.35 per share) and a cash consideration of R70.6 million on the effective date.

Dividends

In line with the group's policy of paying a dividend of between 40% and 50% of recurring headline earnings, the board approved and declared a final gross dividend of 16.5 cents per share (2020: 15.0 cents per share) from income reserves on 15 April 2021. No provision has been included in the financial statements. This follows the interim dividend of 8.0 cents per share (2020: 7.5 cents per share) declared in October 2020, which brings the total gross dividend declared for the 2021 financial year to 24.5 cents per share (2020: 22.5 cents per share). The directors have performed the required solvency and liquidity tests required by the Companies Act of South Africa.

Stated capital

Details of the authorised and issued stated capital appear in note 14 to the group financial statements. In total, 5.0 million shares were issued during the year (2020: 2.4 million). The shares issued during the financial year were to fulfil the company's obligation towards the portfolio management acquisition transaction. The shares issued during the previous financial year were to fulfil the company's obligation towards the share options which vested on 18 April 2019 and 1 August 2019 respectively.

Subsidiaries in the group held 16.9 million PSG Konsult shares at 28 February 2021 (29 February 2020: 18.6 million). The shares are held as treasury shares. The company has the right to reissue these shares at a later date to meet the obligations under the share incentive schemes or deferred bonus schemes.

Subsidiaries

Details of the company's interests in subsidiaries are set out in Annexure B.

Segment information

Refer to the segment report on pages 124 to 132.

Related parties

Related-party relationships exist between the company, subsidiaries, joint ventures, the PSG Group, company directors and key management. Intergroup transactions have been eliminated from the group's financial statements.

For related-party transactions and key management personnel, refer to note 34 to the group financial statements.

Details of directors' remuneration and their interest in the company's shares appear on pages 109 to 111.

Companies Act

The company has approved an MOI in light of the promulgation of the Companies Act and the Companies Regulations.

Shareholders

Details of the group's shareholders are provided in the shareholder profile section of this report in Annexure C.

Directors

The directors of the company at the date of this report appear on pages 67 and 68.

Directors and prescribed officers' remuneration

The Remco considers the remuneration of all executive directors and prescribed officers, as well as the fees paid to all non-executive directors. Fees payable to non-executive directors are recommended by the board to the AGM for approval.

Cash-based remuneration

Audited	Directors' fees R000	Basic salary R000	Bonuses and performance-related payments R000	Expense allowances R000	Company contributions R000	Total 2021 R000	Total 2020 R000
Executive							
FJ Gouws ^{1,7}	266	5 472	23 211	–	65	29 014	26 600
MIF Smith ⁸	–	2 604	8 500	96	45	11 245	10 113
	266	8 076	31 711	96	110	40 259	36 713
Non-executive							
W Theron ¹⁰	1 483	–	–	–	–	1 483	1 458
J de V du Toit	403	–	–	–	–	403	403
PJ Mouton ^{2,9}	–	12 620	–	–	–	12 620	12 423
PE Burton ³	1 266	–	–	–	–	1 266	1 259
ZL Combi ⁴	1 624	–	–	–	–	1 624	1 725
R Stassen	–	–	–	–	–	–	63
Z Matsau ⁵	587	–	–	–	–	587	558
T Isaacs ⁶	250	–	–	–	–	250	63
A Sangqu ⁶	250	–	–	–	–	250	63
	5 863	12 620	–	–	–	18 483	18 015
	6 129	20 696	31 711	96	110	58 742	54 728

¹ Director's fee of R0.3 million (2020: R0.3 million) paid to PSG Management Services Proprietary Limited as non-executive director of PSG Group Limited.

² Director's fee of R0.3 million (2020: R0.3 million) was paid to a subsidiary of PSG Group Limited.

³ Director's fee of R0.6 million (2020: R0.6 million) was paid as non-executive director of PSG Group Limited. R0.1 million (2020: R0.1 million) was paid as non-executive director of PSG Konsult Limited subsidiaries.

⁴ Director's fee of R0.7 million (2020: R0.7 million) paid as non-executive director of PSG Group Limited. R0.4 million (2020: R0.5 million) was paid as non-executive director of Curro Holdings Limited.

⁵ Director's fee of R0.1 million (2020: R0.1 million) was paid as non-executive director of PSG Konsult Limited subsidiary entities.

⁶ Appointed as a director of PSG Konsult Limited with effect from 1 January 2020.

⁷ Total performance incentive bonus awarded was R24.0 million (2020: R21.2 million). 70% of bonus awarded, being R16.8 million (2020: R14.9 million), is unconditional and was paid in cash in April 2021 and April 2020 respectively. The remaining 30% has been paid to the director, however is conditional on the director remaining in employment and is subject to clawback provisions. The conditional portion of the bonus vests as follows: R3.6 million in April 2022 (2020: R3.2 million in April 2021), being 12 months after award date, while the remaining R3.6 million (2020: R3.2 million; 2019: R3.2 million) is conditional for 24 months until April 2023 (2020: April 2022; 2019: April 2021).

⁸ Total performance incentive bonus awarded was R8.5 million (2020: R7.4 million), which was paid in cash in April 2021 and April 2020 respectively, as the director has more than 10 years' service in the group (no service conditions attached to release of 30% deferred portion of bonus award).

⁹ PJ Mouton is a non-executive director of PSG Konsult Limited and has a standard service contract with PSG Corporate Services (Pty) Ltd (PSGCS). His remuneration for services rendered as executive director within the PSG Group for its financial year ended 28 February 2021 was R12.4 million (2020: R12.4 million), of which 30% is deferred for a period of 12 months subject to him remaining in PSGCS's employment and malus/clawback provisions. Including the vesting of the prior year deferred portion, his remuneration for the financial year ended 28 February 2021 was R12.6 million.

¹⁰ Director's fee of R0.5 million (2020: R0.4 million) was paid as non-executive director of PSG Konsult Limited subsidiary entities.

The prescribed officers of the group are Messrs FJ Gouws and MIF Smith, both executive directors of the company. Their remuneration is detailed above.

Report of the board of directors

for the year ended 28 February 2021

Equity-based remuneration

PSG Konsult Limited share options in terms of the PSG Konsult Group Share Incentive Trust

	Number of share options as at	Number of share options during year			Market price per share on vesting date	Vesting price per share	Date granted	Number of share options as at
Audited	29 Feb 2020	Granted	Vested	Expired				28 Feb 2021
Executive								
FJ Gouws	223 795	-	(223 795)	-	R7.90	R7.27	1/04/2015	-
	5 167 789	-	(2 583 895)	-	R7.90	R6.81	1/04/2016	2 583 894
	2 367 419	-	(789 140)	-	R7.90	R7.59	1/04/2017	1 578 279
	3 750 000	-	-	(937 500)	-	R8.74	1/04/2018	2 812 500
	4 000 000	-	-	-	-	R10.15	1/04/2019	4 000 000
	-	4 800 000	-	-	-	R7.13	1/04/2020	4 800 000
	15 509 003	4 800 000	(3 596 830)	(937 500)				15 774 673
MIF Smith								
	177 390	-	(177 390)	-	R7.90	R7.27	1/04/2015	-
	1 199 075	-	(599 537)	-	R7.90	R6.81	1/04/2016	599 538
	772 581	-	(257 527)	-	R7.90	R7.59	1/04/2017	515 054
	1 200 000	-	-	(300 000)	-	R8.74	1/04/2018	900 000
	1 000 000	-	-	-	-	R10.15	1/04/2019	1 000 000
	-	1 200 000	-	-	-	R7.13	1/04/2020	1 200 000
	4 349 046	1 200 000	(1 034 454)	(300 000)				4 214 592

PSG Group Limited share options in terms of the PSG Group Limited Supplementary Share Incentive Trust

Audited	Number of share options as at 29 Feb 2020	Number of share options during year		Market price per share on vesting date ²	Vesting price per share ²		Date granted	Number of share options as at 28 Feb 2021
		Granted	Vested ¹		Before Capitec unbundling	After Capitec unbundling		
Non-executive								
PJ Mouton	18 674	-	(18 674)	R 172.91	R136.84	-	28/02/2015	-
	41 997	-	(20 998)	R 172.91	R178.29	R 21.39	29/02/2016	20 999
						R28.68 -		
	63 152	-	(21 051)	R 172.91	R237.31	R39.47	28/02/2017	42 101
						R19.50 -		
	113 018	-	(28 255)	R 172.91	R236.13	R39.11	28/02/2018	84 763
						R14.73 -		
	227 700	-	-	-	R250.56	R42.91	28/02/2019	227 700
					R(2.51) -			
	183 503	-	-	-	R213.71	R22.27	29/02/2020	183 503
	-	349 875	-	-	-	R 67.12	28/02/2021	349 875
	648 044	349 875	(88 978)					908 941

¹ The director has not yet elected to exercise his right in terms of the provisions of the share incentive scheme to exercise his share options that became exercisable on 28 February 2021. Such right will be exercised within the 180-day exercise window.

² Share options exercised during the current year were exercised prior to the Capitec unbundling taking effect. Pursuant to the Capitec unbundling, share option strike prices were adjusted.

Shareholding of directors

The shareholding of directors in the company as at 28/29 February was as follows:

As at 28 February 2021 (Audited)	Beneficial		Non-beneficial		Total shareholding	
	Direct Number	Indirect Number	Direct Number	Indirect Number	Number	%
J de V du Toit	-	-	-	4 000 000	4 000 000	0.3
FJ Gouws ¹	24 101 311	27 500 000	-	-	51 601 311	3.9
MIF Smith	450 000	-	-	2 300 000	2 750 000	0.2
W Theron	-	-	-	20 000 000	20 000 000	1.5
	24 551 311	27 500 000	-	26 300 000	78 351 311	5.9

As at 29 February 2020 (Audited)	Beneficial		Non-beneficial		Total shareholding	
	Direct Number	Indirect Number	Direct Number	Indirect Number	Number	%
J de V du Toit	-	-	-	6 000 000	6 000 000	0.4
FJ Gouws ¹	26 139 844	31 000 000	-	-	57 139 844	4.3
MIF Smith	450 000	-	-	2 300 000	2 750 000	0.2
W Theron	-	-	-	23 001 232	23 001 232	1.7
	26 589 844	31 000 000	-	31 301 232	88 891 076	6.6

¹ Refer to note 34 to the group financial statements for the details of the shares pledged as securities.

The following changes occurred in the directors' shareholdings between the end of the financial year and the date of this report:

- On 28 April 2021, Mr FJ Gouws acquired 372 450 PSG Konsult Limited ordinary shares as he elected to invest his deferred bonus award in shares.

Secretary

The secretary of the company is S Hamit (on behalf of PSG Management Services Proprietary Limited), whose business and postal addresses are:

4th Floor, The Edge
3 Howick Close
Tyger Waterfront
Tyger Valley
Bellville
7530

PO Box 3335
Tyger Valley
Bellville
7536

Independent auditors

PricewaterhouseCoopers Inc. was the group's external auditor in accordance with section 90(1) of the Companies Act for the year ended 28 February 2021. As set out in the report of the audit committee, the group has proposed the appointment of Deloitte & Touche as external auditor for the year ending 28 February 2022.

Report of the board of directors

for the year ended 28 February 2021

Special resolutions

The following special resolutions were passed by PSG Konsult Limited during the year under review:

- The company is authorised to remunerate its directors for their services as directors.
- The board of the company is authorised, in terms of section 45(3)(a)(ii) of the Companies Act, to approve any direct or indirect financial assistance that the board may deem fit to any director, prescribed officer or company that is related or interrelated to the company on the terms and conditions and for amounts that the board of the company may determine.
- The board of the company is authorised, in terms of section 44(3)(a)(ii) of the Companies Act, to approve any direct or indirect financial assistance that the board may deem fit to any director, prescribed officer or company that is related or interrelated to the company, for the purpose of the subscription of any options or shares issued or to be issued by the company or a related or interrelated company, on the terms and conditions and for the amounts that the board of the company may determine.
- The company and/or its subsidiaries is authorised to repurchase its own shares upon such terms as the directors may determine, but subject to the provisions of sections 46 and 48 of the Companies Act, and the MOI of the company.

No special resolutions were passed by subsidiaries during the year under review which were material to the group.

Borrowing powers

In terms of the company's MOI, directors have unlimited borrowing powers (subject to section 45 of the Companies Act); however, Prudential Authority approval is required for any borrowings within a life insurance company in the group.

Capital commitments and contingent liabilities

The group had no material capital commitments at 28 February 2021 other than what is disclosed in note 32 to the group financial statements. The group is party to legal proceedings in the normal course of business, and appropriate provisions are made when losses are expected to materialise.

Events after the reporting date

No event material to the understanding of these results has occurred between 28 February 2021 and the date of approval of the annual financial statements.

Independent auditor's report

to the shareholders of PSG Konsult Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of PSG Konsult Limited (the company) and its subsidiaries (together the group) as at 28 February 2021, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

PSG Konsult Limited's consolidated and separate financial statements set out on pages 118 to 251 comprise:

- the consolidated and company statements of financial position as at 28 February 2021;
- the consolidated income statement for the year then ended;
- the consolidated and company statements of comprehensive income for the year then ended;
- the consolidated and company statements of changes in equity for the year then ended;
- the consolidated and company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Certain required disclosures have been presented elsewhere in the PSG Konsult 2021 Integrated Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report.

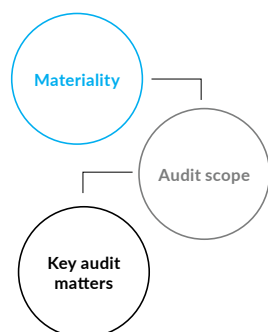
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the group in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards).

Our audit approach

Overview



Overall group materiality

- R54 million, which represents 5% of consolidated profit before taxation.

Group audit scope

- We performed full scope audits on 6 of the 36 reporting units, covering the three reportable segments (PSG Wealth, PSG Asset Management and PSG Insure).
- We performed audits of specific balances and transactions on 14 reporting units, and analytical reviews on the remaining insignificant reporting units.

Key audit matters

- Valuation of customer relationship intangible assets and goodwill; and
- Completeness of commission income.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Independent auditor's report

to the shareholders of PSG Konsult Limited

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R54 million
How we determined it	5% of consolidated profit before taxation
Rationale for the materiality benchmark applied	We chose consolidated profit before taxation as the benchmark because, in our view, it is the benchmark against which the performance of the group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates.

The group is structured along three reportable segments, PSG Wealth, PSG Asset Management and PSG Insure, operating across South Africa, Namibia, Botswana, Mauritius, Guernsey and Malta. The consolidated financial statements are a consolidation of 36 reporting units, comprising the group's operating businesses across the three reportable segments and centralised functions. Based on the relative contribution of each of these reporting units to the group's total consolidated profit before taxation, we scoped in 6 of these reporting units, and performed full scope audits. Furthermore, we included reporting units within our overall scope where such reporting units contained a significant risk or a significant contribution to the total consolidated asset value, total consolidated income or total consolidated expenses of the group. This led to a further 14 reporting units being included in our overall scope where audit procedures on specific balances and transactions were performed. For the remaining insignificant reporting units we performed analytical reviews.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the group engagement team, or component auditors from other PwC network firms or other firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. We sent reporting instructions to all component auditors, explaining the scope, overall approach and time frame of the group audit, including instructions on the work required on significant areas and the information required to be reported to the group auditor.

As part of our assessment of the work performed by the component auditors, we attended planning and debrief meetings with component management at all three reportable segments of the group. We attended all the group audit committee meetings held during the financial period.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matters below relate to the consolidated financial statements. We have determined that there are no key audit matters to report in respect of the separate financial statements.

Consolidated financial statements

Key audit matter	How our audit addressed the key audit matter
Valuation of customer relationship intangible assets and goodwill Refer to pages 227 and 228 (Detailed accounting policies – Intangible assets and Impairment of non-financial assets), page 123 (Summary of significant accounting policies – Critical accounting estimates and judgements in applying accounting policies) and pages 133 to 136 (note 1 to the group financial statements – Intangible assets). As at 28 February 2021, the value of the customer relationship intangible assets and goodwill were R824 million and R412 million, respectively. The annual impairment assessment for goodwill was performed by management, as required by International Accounting Standard 36 - Impairment of Assets (IAS 36). For impairment testing purposes, goodwill is allocated to cash generating units (CGUs) at the lowest level of operating activity to which it relates. An impairment assessment was also performed on the customer relationships where there was objective evidence of impairment indicators. The impairment assessments performed by management were considered to be a matter of most significance to our current year audit due to the complexity of the assessment process and the significant judgements applied by management when determining the recoverable amount of the assets. The significant judgements applied by management are summarised below. A market approach (price-earnings multiple valuation) is used to determine the fair value less costs to sell. Where the fair value less costs to sell is lower than the carrying value, a discounted cash flow model is used to determine the value in use, as the recoverable amount is the higher of the fair value less costs to sell and the value in use. Key assumptions applied by management are: • Price-earnings ratios; • Growth rate and terminal growth rate; and • Risk free rate and discount rate.	
We obtained an understanding and evaluated the effectiveness of the relevant controls implemented over the impairment assessment, which included, amongst others, management's review and approval of the financial impairment calculations and assumptions used. With respect to the price-earnings multiple valuations: • We assessed the appropriateness of the valuation methodology, using our valuations expertise. We found the price-earnings multiple valuation model to be consistent with industry norms and the requirements of IFRS; • We tested the mathematical accuracy of the price-earnings multiple valuations and found them to be mathematically accurate; • For a sample of CGUs, we agreed the normalised earnings used in the price-earnings multiple valuation to the actual recurring profit after tax for the year for the CGU. We found normalised earnings to be comparable to the actual recurring profit after tax for the year for the sample selected; and • We compared the price-earnings multiples used by management in their valuation (as disclosed in note 1 to the consolidated financial statements) to our internally developed benchmarks. Making use of our valuations expertise, our internal benchmarks were determined using the price-earnings multiples of various comparable companies, adjusted for specific risks where appropriate. We found that the range of price-earnings multiples applied by management did not exceed our range of internally developed benchmarks. With respect to the discounted cash flow valuations: • We assessed the appropriateness of the valuation methodology, using our valuations expertise. We found the discounted cash flow model to be consistent with industry norms and the requirements of IFRS; • We tested the mathematical accuracy of the discounted cash flow model and found it to be mathematically accurate; • We evaluated the future projected cash flows used in the discounted cash flow models to assess whether they are reasonable and supportable given the current macroeconomic climate and expected future performance of the CGUs. This included benchmarking the revenue and terminal growth rates applied against third-party and independently established rates. We found the revenue and terminal growth rates used by management to be comparable with third-party and independently established rates, after allowing for the expected future outlook; • We compared the projected cash flows to historical performance. We noted that projected cash flows for the next financial period were within an acceptable range of the actual cash flows of the immediate past financial period of the particular CGU, after allowing for changes in economic assumptions and other relevant variables; and • We compared the risk-free rate and discount rates used by management in their discounted cash flow model (as disclosed in note 1 to the consolidated financial statements) to our internally developed benchmarks. Making use of our valuations expertise, our internal benchmarks were determined using our view of various economic indicators. We found that the risk-free rate and discount rates applied by management were comparable with our internally developed benchmarks. We evaluated the adequacy of the disclosure in the financial statements of the impairment assessment of goodwill and customer relationships against the requirements of the applicable financial reporting standards.	

Independent auditor's report

to the shareholders of PSG Konsult Limited

Key audit matter	How our audit addressed the key audit matter
Completeness of commission income	
Refer to pages 241 to 243 (Detailed accounting policies – Revenue from contracts with customers) and page 159 (note 22 to the consolidated financial statements – Revenue from contracts with customers and other operating income). The Group recognised commission income of R1.6 billion for the year. Commission income is earned from services rendered to clients through a large network of PSG Konsult Limited financial advisers. Commission income is recognised over time, as the performance obligations are satisfied. The completeness of commission income recognised was considered a matter of most significance to our current year audit due to the significant risk of potential understatement resulting from the decentralised nature of the advisers' network, and the variety of services offered.	• We obtained an understanding and evaluated the effectiveness of the relevant controls implemented over revenue recognition, which included, amongst others, management's monthly review and approval of commission income reported by the financial advisers; • We selected a sample of external confirmations from product providers, indicating the commission earned by the group's advisers for services rendered to their clients. We found that the confirmations obtained, agreed, without material exception, to the revenue recognised for the selected sample; • We calculated revenue earned based on contractual terms and mandates for a sample of transactions and compared these to the revenue that was recognised. We found that revenue was calculated accurately with reference to the contractual terms and mandates for the selected sample; • We compared the names of product providers and advisers from whom revenue had been earned in the prior year to those in the current year recorded in the general ledger, and obtained supporting evidence for a sample in respect of any differences. We found that for the sample selected, the differences were supported by acceptable reasons, such as business terminations or transfers; • Making use of our internal forensics expertise, we selected a sample of individual advisers and performed probity checks on various online databases and corporate registries to consider any directorships, memberships or business connections the individuals may have, in order to identify conflicting business interests which had not been declared. We found no conflicting business interests which had not been declared and approved by management; and • We selected a sample of new policies entered into with clients during the financial year and agreed these to the revenue recognised. We found that the revenue relating to the sample of new policies selected was appropriately accounted for, and the effective date of the new policy was within the financial year.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "PSG Konsult 2021 Integrated Report", which includes the Report of the board of directors, the Report of the audit committee, and the Certificate by the company secretary as required by the Companies Act of South Africa and the document titled "PSG Konsult Summary Consolidated Financial Statements for the year ended 28 February 2021", which we obtained prior to the date of this auditor's report, and the document titled "PSG Konsult Notice of Annual General Meeting for the year ended 28 February 2021", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards 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 consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of PSG Konsult Limited for 22 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc

Director: RA Botha

Registered Auditor

Cape Town, South Africa

17 May 2021

Consolidated statement of financial position

as at 28 February 2021

	Notes	2021 R000	2020 R000
ASSETS			
Intangible assets	1	1 253 820	1 144 803
Property and equipment	2	99 539	91 715
Right-of-use assets	3	210 699	248 220
Investment in joint ventures	5	1 046	1 105
Deferred income tax assets	6	83 555	81 315
Reinsurance assets	7, 17	234 127	127 303
Loans and advances	8	166 911	138 012
Debt securities	9	3 847 637	6 212 400
Unit-linked investments	9	61 790 947	50 398 850
Equity securities	9	2 577 300	2 229 474
Investment in investment contracts	9	14 402	15 587
Derivative financial instruments	10	12 284	23 131
Deferred acquisition costs	21	5 621	6 622
Receivables including insurance receivables	11	2 220 757	2 094 305
Current income tax assets		20 989	13 093
Assets held for sale	12	64 143	-
Cash and cash equivalents (including money market funds)	13	1 603 624	1 073 653
Total assets		74 207 401	63 899 588
EQUITY			
Equity attributable to owners of the parent			
Stated capital	14	1 938 859	2 069 029
Treasury shares	14	(155 538)	(171 128)
Other reserves	15	(395 338)	(394 319)
Retained earnings		2 216 920	1 802 273
		3 604 903	3 305 855
Non-controlling interest	16	344 199	278 647
Total equity		3 949 102	3 584 502
LIABILITIES			
Deferred income tax liabilities	6	82 474	69 701
Lease liabilities	4	277 780	304 964
Insurance contracts	17	652 774	554 469
Derivative financial instruments	10	15 330	30 406
Investment contracts	18	30 719 905	26 694 209
Third-party liabilities arising on consolidation of mutual funds	19	35 985 490	30 293 931
Deferred reinsurance acquisition revenue	21	5 316	7 079
Trade and other payables	20	2 477 264	2 356 383
Current income tax liabilities		2 458	3 944
Liabilities held for sale	12	39 508	-
Total liabilities		70 258 299	60 315 086
Total equity and liabilities		74 207 401	63 899 588

Consolidated income statement

for the year ended 28 February 2021

	Notes	2021 R000	Restated ¹ 2020 R000
Gross written premium		1 604 019	1 520 299
Less: Reinsurance written premium		(516 062)	(462 179)
<i>Net written premium</i>		1 087 957	1 058 120
Change in unearned premium			
– Gross		21 992	32 721
– Reinsurers' share		4 421	6 165
<i>Net insurance premium revenue</i>		1 114 370	1 097 006
Revenue from contracts with customers and other operating income	22	3 863 112	3 678 801
Interest income on amortised cost financial instruments	23	74 499	95 306
Interest income on fair value through profit or loss financial instruments	23	89 374	135 934
Dividend income	23	4 911	3 701
Net fair value gains and losses on financial instruments	24	43 092	(16 432)
Net income attributable to investment contract holders and third-party liabilities	25	60 784	62 694
Total income		5 250 142	5 057 010
Insurance claims and loss adjustment expenses	26	(1 011 841)	(943 290)
Insurance claims and loss adjustment expenses recovered from reinsurers	26	390 127	279 958
<i>Net insurance benefits and claims</i>		(621 714)	(663 332)
Commission paid	27.1	(1 562 543)	(1 509 684)
Depreciation and amortisation	27.2	(167 060)	(144 067)
Employee benefit expenses	27.3	(1 074 673)	(1 010 402)
Marketing, administration and other expenses	27.4	(714 214)	(679 188)
Total expenses		(4 140 204)	(4 006 673)
Total loss from joint ventures		(59)	(420)
Profit before finance costs and taxation		1 109 879	1 049 917
Finance costs	28	(38 452)	(45 303)
Profit before taxation		1 071 427	1 004 614
Taxation	29	(302 122)	(297 053)
Profit for the year		769 305	707 561
Attributable to:			
Owners of the parent		697 690	646 957
Non-controlling interest		71 615	60 604
		769 305	707 561
Earnings per share			
Basic earnings per share (cents)	30	52.3	48.2
Diluted earnings per share (cents)	30	52.3	48.1

¹ The comparative figures have been restated, refer to note 38 for detail of the reclassification and restatement.

Consolidated statement of comprehensive income

for the year ended 28 February 2021

	Note	2021 R000	2020 R000
Profit for the year		769 305	707 561
Other comprehensive income for the year, net of taxation	29	1 650	10 998
<i>Items that are or may be reclassified to profit or loss:</i>			
Currency translation adjustments		1 650	10 998
Total comprehensive income for the year		770 955	718 559
Attributable to:			
Owners of the parent		699 340	657 955
Non-controlling interest		71 615	60 604
		770 955	718 559

Consolidated statement of changes in equity

for the year ended 28 February 2021

	Attributable to equity holders of the group					Non-controlling interest R000	Total R000
	Stated capital R000	Treasury shares R000	Other reserves ¹ R000	Retained earnings R000			
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	
<i>Total comprehensive income for the year</i>	-	-	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 ordinary shares	(84 688)	-	-	-	-	(84 688)	
Share-based payment costs	-	-	26 306	-	-	26 306	
Treasury shares sold	-	227 772	-	-	-	227 772	
Treasury shares purchased	-	(146 322)	-	-	-	(146 322)	
Transactions with non-controlling interest	-	-	-	-	(2 262)	(2 262)	
Release of profits from treasury shares to retained earnings	-	(21 855)	-	21 855	-	-	
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 ²	-	-	(71 834)	-	-	(71 834)	
Release of share-based payment reserve to retained earnings on vested share options	-	-	22 507	(22 507)	-	-	
Dividends paid	-	-	-	(282 728)	(5 003)	(287 731)	
Balance at 29 February 2020	2 069 029	(171 128)	(394 319)	1 802 273	278 647	3 584 502	
Comprehensive income							
Profit for the year	-	-	-	697 690	71 615	769 305	
Other comprehensive income for the year	-	-	1 650	-	-	1 650	
<i>Total comprehensive income for the year</i>	-	-	1 650	697 690	71 615	770 955	
Transactions with owners	(130 170)	15 590	(2 669)	(283 043)	(6 063)	(406 355)	
Issue of ordinary shares	36 628	-	-	-	-	36 628	
Repurchase and cancellation of ordinary shares	(166 798)	-	-	-	-	(166 798)	
Share-based payment costs	-	-	33 827	-	-	33 827	
Treasury shares sold	-	11 980	-	-	-	11 980	
Release of losses from treasury shares to retained earnings	-	3 610	-	(3 610)	-	-	
Current tax on equity-settled share-based payments	-	-	(3 296)	-	-	(3 296)	
Deferred tax on equity-settled share-based payments	-	-	2 583	-	-	2 583	
Loss on issue of shares in terms of share scheme ²	-	-	(7 435)	-	-	(7 435)	
Release of share-based payment reserve to retained earnings on vested/expired share options	-	-	(28 348)	28 348	-	-	
Dividends paid	-	-	-	(307 781)	(6 063)	(313 844)	
Balance at 28 February 2021	1 938 859	(155 538)	(395 338)	2 216 920	344 199	3 949 102	

¹ Refer to note 15 for detail of the other reserves.

² Loss on sale of shares is recognised due to the market value of the shares transferred to the option holder being greater than the strike price paid.

Consolidated statement of cash flows

for the year ended 28 February 2021

	Notes	2021 R000	2020 R000
Cash flows from operating activities			
Cash utilised in operations ¹	35.1	(204 586)	(1 256 928)
Interest received		1 336 796	1 591 597
Dividends received		726 985	646 607
Finance costs		(38 452)	(45 303)
Taxation paid	35.2	(302 427)	(259 480)
<i>Operating cash flows before policyholder cash movement</i>		1 518 316	676 493
Policyholder cash movement ²		1 304	22 485
<i>Net cash flow from operating activities</i>		1 519 620	698 978
Cash flows from investing activities			
Deferred consideration paid for acquisition of businesses		(21 646)	(23 521)
Acquisition of intangible assets		(122 515)	(45 394)
Proceeds from disposal of intangible assets		2 991	10 845
Disposal of subsidiaries (including collective investment schemes)	35.4	(261 638)	1 817
Proceeds from disposal of property and equipment		889	2 715
Purchases of property and equipment		(48 332)	(47 849)
Loans advanced to joint ventures		(711)	(734)
<i>Net cash flow from investing activities</i>		(450 962)	(102 121)
Cash flows from financing activities			
Dividends paid to equity holders of the group		(307 781)	(282 728)
Dividends paid to non-controlling interest		(6 063)	(5 003)
Acquisition from non-controlling interest (ordinary shares)		-	(431)
Advance of borrowings	35.3	-	570
Repayments of borrowings	35.3	-	(100 000)
Lease liabilities paid – principal portion		(51 076)	(36 910)
Treasury shares sold by subsidiary	14	4 545	92 057
Purchase of treasury shares		-	(146 322)
Shares issued	14	-	15 326
Shares repurchased and cancelled	14	(166 798)	(13 691)
<i>Net cash flow from financing activities</i>		(527 173)	(477 132)
Net increase in cash and cash equivalents		541 485	119 725
Cash and cash equivalents at the beginning of the year		1 073 653	945 442
Exchange gains on cash and cash equivalents		2 210	8 486
Cash and cash equivalents at the end of the year	35.6	1 617 348	1 073 653

¹ 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. PSG Life, 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. A 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 page 132 for the impact of the client-related balances on the cash utilised in operations.

² The policyholder cash movement relates to the movement in the cash and cash equivalents backing the investment contract liabilities. Refer to note 18 for further detail.

Summary of significant accounting policies

for the year ended 28 February 2021

The principal accounting policies applied in the preparation of these group and company financial statements are set out in Annexure A. The accounting policies applied are in terms of IFRS and are consistent with those applied in the previous annual financial statements, except for the restatement of the consolidated income statement and the related notes for the year ended 29 February 2020, and the mandatory adoption of minor amendments to IFRS, which are effective for the financial year commencing 1 March 2020. Refer to note 38 for further details on the restatement. The minor IFRS amendments have not resulted in any material impact on the group's 2021 reported results, comparative periods or disclosures.

1. Basis of preparation

The group and company financial statements of PSG Konsult Limited have been prepared in accordance with the JSE Listings Requirements and the requirements of the Companies Act. The JSE Listings Requirements require annual financial statements to be prepared in accordance with the framework concepts and the recognition and measurement requirements of IFRS, as defined by IAS 1; the IFRIC interpretations; the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee; the Financial Reporting Pronouncements, as issued by the Financial Reporting Standards Council, and in the manner required by the Companies Act.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) classified as 'at fair value through profit or loss', long-term insurance contract liabilities that are measured in terms of the financial soundness valuation (FSV) basis as set out in Standard of Actuarial Practice (SAP) 104 – Calculation of the value of assets, liabilities and solvency capital requirement of long-term insurers and investment in a joint venture using the equity method of accounting.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated and separate financial statements are disclosed below.

The group did not early adopt any of the IFRS standards.

2. Critical accounting estimates and judgements in applying accounting policies

The group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2.1 Intangible assets

Initial recognition as part of a business combination

Intangible assets acquired as part of business combinations are recognised at their fair value. The fair value is determined by using a discounted cash flow valuation method based on assumptions and estimates regarding future revenue growth, weighted cost of capital, working capital and other economic factors. These assumptions reflect management's best estimates but are subject to inherent uncertainties, which may not be controlled by management.

The discount rate is based on the long-term risk-free rate with risk premiums added for market and other company and asset-specific risks. No business combinations occurred during the 2021 or 2020 financial years which resulted in the recognition of an intangible asset.

Useful lives of customer relationships

Intangible assets (excluding goodwill) are amortised over their estimated useful lives. The amortisation method used best reflects the pattern in which the asset's future economic benefits are consumed by the group.

The useful life of key customer relationships is estimated based on the cancellation experience of the existing business/revenue stream.

No business combinations occurred during the 2021 or 2020 financial years which resulted in the recognition of customer relationships. A maximum useful life of 20 years was used for the other customer relationships recognised during the 2021 financial year (2020: maximum useful life of 20 years).

Refer to the intangible asset accounting policy in Annexure A and note 1 for further detail.

Estimated impairment

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy on goodwill. The recoverable amounts of CGUs have been determined by applying a price-earnings ratio to obtain the fair value less costs of disposal. The range of price-earnings ratios used varied from 5.0 to 7.5 (2020: 5.0 to 7.5). Where the fair value less costs of disposal is lower than the carrying value of the CGU, a value-in-use calculation is performed to determine the recoverable amount, which is the higher of the fair value less costs of disposal and the value in use.

Customer relationships are evaluated for indicators of impairment using the most recent price-earnings ratios for similar transactions in the market. The range of price-earnings ratios used varied from 5.0 to 7.5 (2020: 5.0 to 7.5). When these impairment tests indicated that the assets may need to be impaired, management assessed the recoverable amount of the CGUs based on value-in-use calculations. Refer to note 1 for further detail.

Segment reporting

for the year ended 28 February 2021

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 CEO, supported by the group 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.

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 process of selecting 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 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.

2. Headline earnings per reportable segment

For the year ended 28 February 2021

Headline earnings¹

– recurring

– non-recurring

Recurring headline earnings – excluding intangible asset amortisation cost²

Wealth R000	Asset Management R000	Insure R000	Total R000
444 488	103 356	148 791	696 635
447 656	104 940	151 239	703 835
(3 168)	(1 584)	(2 448)	(7 200)
489 559	105 447	172 931	767 937

For the year ended 29 February 2020

Headline earnings¹

– recurring

– non-recurring

Recurring headline earnings – excluding intangible asset amortisation cost²

Wealth R000	Asset Management R000	Insure R000	Total R000
376 384	146 420	121 604	644 408
376 384	146 420	121 604	644 408
–	–	–	–
409 739	146 927	142 913	699 579

¹ Headline earnings, calculated in terms of the requirements stipulated in Circular 1/2019 as issued by SAICA, comprise recurring and non-recurring headline earnings. Recurring headline earnings are calculated by excluding non-recurring headline earnings to increase comparability of the performance of the group from one year to another. Non-recurring headline earnings include one-off gains and losses and the resulting tax charge on these items.

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

3. Income per reportable segment

For the year ended 28 February 2021

Total IFRS reported income

Linked investment business and other income

Total core income

Total segment income

Intersegment income

Wealth R000	Asset Management R000	Insure R000	Total R000
2 617 313	462 135	2 170 694	5 250 142
17 573	–	–	17 573
2 634 886	462 135	2 170 694	5 267 715
3 469 149	787 908	2 212 552	6 469 609
(834 263)	(325 773)	(41 858)	(1 201 894)

For the year ended 29 February 2020

Total IFRS reported income

Linked investment business and other income

Total core income

Total segment income

Intersegment income

Wealth R000	Asset Management R000	Insure R000	Total R000
2 432 425	525 144	2 099 441	5 057 010
11 859	–	–	11 859
2 444 284	525 144	2 099 441	5 068 869
3 200 941	827 744	2 139 181	6 167 866
(756 657)	(302 600)	(39 740)	(1 098 997)

Intersegment income and expenses consist of fees charged at market-related rates. The group accounts for intersegment income and expenses by eliminating these transactions to only reflect transactions with third parties. Intersegment income is eliminated by deducting it from total segment income to reflect income generated by segment from external customers.

The group mainly operates in the Republic of South Africa, with 92.6% (2020: 93.1%) of the total income from external customers (total IFRS reported income) generated in the Republic of South Africa.

Given the nature of the operations, there is no single external customer that provides 10% or more of the group's income (2020: none).

Segment reporting

for the year ended 28 February 2021

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 2021

	Wealth R000	Asset Management R000	Insure R000	Total R000
Total income	2 634 886	462 135	2 170 694	5 267 715
Total expenses ¹	(1 994 514)	(327 379)	(1 871 574)	(4 193 467)
	640 372	134 756	299 120	1 074 248
Total loss from joint ventures	-	-	(59)	(59)
Profit before finance costs and taxation	640 372	134 756	299 061	1 074 189
Finance costs ²	(28 080)	(3 899)	(6 473)	(38 452)
Profit before taxation	612 292	130 857	292 588	1 035 737
Taxation	(159 162)	(27 501)	(79 769)	(266 432)
Profit for the year	453 130	103 356	212 819	769 305
Attributable to:				
Owners of the parent	445 176	103 356	149 158	697 690
Non-controlling interest	7 954	-	63 661	71 615
	453 130	103 356	212 819	769 305
Headline earnings	444 488	103 356	148 791	696 635
Recurring headline earnings	447 656	104 940	151 239	703 835

For the year ended 29 February 2020

	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	(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 ²	(37 512)	(1 444)	(4 544)	(43 500)
Profit before taxation	524 958	191 647	253 768	970 373
Taxation	(141 882)	(45 216)	(75 714)	(262 812)
Profit for the year	383 076	146 431	178 054	707 561
Attributable to:				
Owners of the parent	376 735	146 431	123 791	646 957
Non-controlling interest	6 341	-	54 263	60 604
	383 076	146 431	178 054	707 561
Headline earnings	376 384	146 420	121 604	644 408
Recurring headline earnings	376 384	146 420	121 604	644 408

¹ Depreciation and amortisation is included within total expenses and amounts to R104.2 million (2020: R88.8 million) for PSG Wealth, R10.5 million (2020: R8.8 million) for PSG Asset Management, and R52.4 million (2020: R46.5 million) for PSG Insure.

² The finance costs in the PSG Wealth division of R28.1 million (2020: R37.5 million) consist mainly of the finance charge on the lease liabilities of R17.7 million (2020: R15.8 million) with the remaining portion of the finance charge on the CFD margin, the loan funding and the bank overdrafts.

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 CFD assets and related liabilities.

As at 28 February 2021

Assets

Equity securities
Debt securities ¹
Unit-linked investments
Investment in investment contracts
Receivables including insurance receivables ¹
Derivative financial instruments
Cash and cash equivalents (including money market funds) ¹
Other assets ²

Total assets

Equity

Equity attributable to owners of the parent
Non-controlling interest

Total equity

Liabilities

Investment contracts
Third-party liabilities arising on consolidation of mutual funds ¹
Derivative financial instruments
Trade and other payables ¹
Other liabilities ³

Total liabilities

Total equity and liabilities

Total IFRS reported R000	Own balances R000	Client-related balances R000
2 577 300	31 650	2 545 650
3 847 637	15 429	3 832 208
61 790 947	1 713 628	60 077 319
14 402	–	14 402
2 220 757	348 063	1 872 694
12 284	–	12 284
1 603 624	1 598 357	5 267
2 140 450	2 140 450	–
74 207 401	5 847 577	68 359 824
3 604 903	3 604 903	–
344 199	344 199	–
3 949 102	3 949 102	–
30 719 905	–	30 719 905
35 985 490	–	35 985 490
15 330	–	15 330
2 477 264	838 165	1 639 099
1 060 310	1 060 310	–
70 258 299	1 898 475	68 359 824
74 207 401	5 847 577	68 359 824

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

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

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

Segment reporting

for the year ended 28 February 2021

5. Statement of financial position (client vs own) (continued)

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

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

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

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

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 of the group.

For the year ended 28 February 2021

	Total IFRS reported R000	Core business R000	Linked investment business and other R000
Revenue from contracts with customers and other operating income ¹	3 863 112	3 941 469	(78 357)
Investment income ²	168 784	168 784	-
Net fair value gains and losses on financial instruments	43 092	43 092	-
Net income attributable to investment contract holders and third-party liabilities	60 784	-	60 784
Net insurance premium revenue	1 114 370	1 114 370	-
Total income	5 250 142	5 267 715	(17 573)
Insurance claims and loss adjustment expenses	(1 011 841)	(1 011 841)	-
Other ^{1,3}	(3 128 363)	(3 181 626)	53 263
Total expenses	(4 140 204)	(4 193 467)	53 263
Total loss from joint ventures	(59)	(59)	-
Profit before finance costs and taxation	1 109 879	1 074 189	35 690
Finance costs	(38 452)	(38 452)	-
Profit before taxation	1 071 427	1 035 737	35 690
Taxation	(302 122)	(266 432)	(35 690)
Profit for the year	769 305	769 305	-
Attributable to:			
Owners of the parent	697 690	697 690	-
Non-controlling interest	71 615	71 615	-
	769 305	769 305	-

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.

Segment reporting

for the year ended 28 February 2021

6. Income statement (client vs own) (continued)

For the year ended 29 February 2020 (Restated)	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, 3}	234 941	234 941	–
Net fair value gains and losses on financial instruments ³	(16 432)	(16 432)	–
Net income attributable to investment contract holders and third-party liabilities ³	62 694	–	62 694
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, 4}	(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 Comparative figures have been restated, refer to note 38 for further details.

⁴ 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.

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:

According to division

For the year ended 28 February 2021	Wealth R000	Asset Management R000	Insure R000	Total R000
Revenue from contracts with customers	2 514 794	452 970	780 328	3 748 092
Other operating income	12 723	(797)	181 451	193 377
	2 527 517	452 173	961 779	3 941 469

For the year ended 29 February 2020	Wealth R000	Asset Management R000	Insure R000	Total R000
Revenue from contracts with customers	2 309 027	505 496	783 557	3 598 080
Other operating income	12 098	(253)	143 429	155 274
	2 321 125	505 243	926 986	3 753 354

According to nature of the revenue

	2021 R000	2020 R000
Revenue from contracts with customers		
Dealing and structuring (including brokerage)		
– Brokerage ¹	245 380	207 258
– Offshore brokerage commission ¹	114 158	70 049
– Other dealing and structuring income ²	129 591	107 600
Commission, administration and other fees		
– Commission income ³	1 557 787	1 488 176
– Administration fees ³	460 172	456 748
– Other fees ⁴	44 982	46 556
Management and performance fees (including rebates) ³	1 106 088	1 135 108
Policy administration fees ³	89 934	86 585
	3 748 092	3 598 080
Other operating income		
Reinsurance commission income	167 726	136 883
Other	25 651	18 391
	193 377	155 274
	3 941 469	3 753 354

¹ Brokerage and offshore brokerage commission is recognised at a point in time.

² The other dealing and structuring income includes R101.5 million (2020: R87.8 million) revenue recognised over time, with the balance of this revenue being recognised at a point in time.

³ This revenue from contracts with customers is recognised over time.

⁴ The other fees include revenue recognised at a point in time and over time, with the majority of this revenue being recognised over time.

Segment reporting

for the year ended 28 February 2021

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.

For the year ended 28 February 2021

Cash flows from operating activities

Cash (utilised in)/generated by operations¹
Interest received
Dividends received
Finance costs
Taxation paid
Policyholder cash movement

Cash flow from investing activities

Disposal of subsidiaries (including collective investment schemes)
Other²

Cash flow from financing activities

Net increase/(decrease) in cash and cash equivalents
Cash and cash equivalents at the beginning of the year
Exchange gains on cash and cash equivalents
Cash and cash equivalents at the end of the year

Total IFRS reported R000	Own balances R000	Client-related balances R000
1 519 620	6 493	1 513 127
(204 586)	172 580	(377 166)
1 336 796	163 873	1 172 923
726 985	4 911	722 074
(38 452)	(38 452)	-
(302 427)	(296 419)	(6 008)
1 304	-	1 304
(450 962)	(189 324)	(261 638)
(261 638)	-	(261 638)
(189 324)	(189 324)	-
(527 173)	(527 173)	-
541 485	(710 004)	1 251 489
1 073 653	2 319 875	(1 246 222)
2 210	2 210	-
1 617 348	1 612 081	5 267

¹ The cash generated by operations under own balances includes R907.7 million excess short-term cash transferred to unit-linked investments that invest mainly in cash, money market and related instruments to enhance investment income yield.

² Other consists of cash flows relating to the deferred consideration paid for acquisition of businesses, the acquisition of intangible assets, purchases of property and equipment, proceeds from disposal of intangible assets and other.

For the year ended 29 February 2020

Cash flows from operating activities

Cash (utilised in)/generated by operations
Interest received
Dividends received
Finance costs
Taxation paid
Policyholder cash movement

Cash flow from investing activities

Cash flow from financing activities

Repayment of borrowings¹
Other²

Net increase/(decrease) in cash and cash equivalents
Cash and cash equivalents at the beginning of the year
Exchange gains on cash and cash equivalents
Cash and cash equivalents at the end of the year

Total IFRS reported R000	Own balances R000	Client-related balances R000
698 978	941 802	(242 824)
(1 256 928)	1 003 001	(2 259 929)
1 591 597	231 240	1 360 357
646 607	3 701	642 906
(45 303)	(43 500)	(1 803)
(259 480)	(252 640)	(6 840)
22 485	-	22 485
(102 121)	(102 121)	-
(477 132)	(377 132)	(100 000)
(100 000)	-	(100 000)
(377 132)	(377 132)	-
119 725	462 549	(342 824)
945 442	1 848 840	(903 398)
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 group financial statements

for the year ended 28 February 2021

1. Intangible assets

	Goodwill R000	Deferred acquisition costs R000	Customer relation- ships R000	Other intangibles R000	Total R000
As at 28 February 2021					
Cost	485 790	30 525	1 250 846	36 725	1 803 886
Accumulated amortisation and impairment	(74 087)	(12 849)	(426 546)	(36 584)	(550 066)
Balance at the end of the year	411 703	17 676	824 300	141	1 253 820
Reconciliation					
Balance at the beginning of the year	412 156	17 502	714 929	216	1 144 803
Additions	-	2 059	175 069	60	177 188
Disposals	(453)	-	(1 597)	-	(2 050)
Amortisation	-	(1 885)	(64 101)	(135)	(66 121)
Balance at the end of the year	411 703	17 676	824 300	141	1 253 820
As at 29 February 2020					
Cost	486 243	28 466	1 077 955	52 620	1 645 284
Accumulated amortisation and impairment	(74 087)	(10 964)	(363 026)	(52 404)	(500 481)
Balance at the end of the year	412 156	17 502	714 929	216	1 144 803
Reconciliation					
Balance at the beginning of the year	416 167	17 938	743 641	503	1 178 249
Additions	-	2 138	34 695	184	37 017
Disposals	(1 812)	-	(8 236)	-	(10 048)
Disposal of subsidiaries (refer to note 35.4)	(2 199)	-	(36)	-	(2 235)
Amortisation	-	(2 574)	(55 135)	(471)	(58 180)
Balance at the end of the year	412 156	17 502	714 929	216	1 144 803

Included in other intangibles is computer software to the value of R0.08 million (2020: R0.15 million).

Notes to the group financial statements

for the year ended 28 February 2021

1. Intangible assets (continued)

Customer relationships

The CGU groups to which the customer relationships balance relates to is as follows:

CGU group	Reportable segment	2021 R000	2020 R000
Wealth distribution	PSG Wealth	377 678	352 481
Products and platform	PSG Wealth	187 176	91 802
Securities	PSG Wealth	9 508	10 651
Asset management	PSG Asset Management	675	1 182
Short-term distribution	PSG Insure	218 191	223 677
Short-term administration	PSG Insure	17 335	19 981
Short-term licence business	PSG Insure	13 737	15 155
		824 300	714 929

Included in customer relationships are the following material individual CGUs and their respective remaining amortisation period:

Individual CGU	CGU group	Remaining amortisation period		Carrying value	
		2021	2020	2021 R000	2020 R000
Wealth adviser office (no. 8)	Products and platform	14 years and 5 months	N/A	103 166	–
Wealth adviser office (no. 4)	Products and platform	10 years	11 years	60 648	66 713
AIFA commercial and industrial	Short-term distribution	17 years and 3 months	18 years and 3 months	51 028	53 986
Wealth adviser office (no. 1)	Wealth distribution	13 years	14 years	35 428	38 153
AIFA personal lines	Short-term distribution	17 years and 9 months	18 years and 9 months	31 232	32 991
Wealth adviser office (no. 2)	Wealth distribution	13 years	14 years	26 205	28 221
Multinet Makelaars	Short-term distribution	5 years and 1 month	6 years and 1 month	20 170	24 106
Wealth adviser office (no. 3)	Wealth distribution	15 years and 3 months	16 years and 3 months	12 430	13 245
Diagonal Street Financial Services	Short-term distribution, Short-term administration	9 years and 6 months	10 years and 6 months	11 197	12 375
Wealth adviser office (no. 6)	Products and platform	12 years	13 years	9 933	10 759
Tlotlisa Securities (T-Sec)	Wealth distribution, Securities	8 years and 2 months	9 years and 2 months	9 800	11 000
Wealth adviser office (no. 7)	Wealth distribution	17 years	18 years	9 434	9 989
Wealth adviser office (no. 9)	Wealth distribution	19 years and 7 months	N/A	8 356	–
Insurance Solutions	Short-term licence business	9 years	10 years	7 920	8 800
Multifund	Short-term distribution, Short-term administration	9 years	10 years	7 710	8 812
				404 657	319 150

The above mentioned individual customer relationships relate to the original acquisitions of the respective books of business and/or entities and now form part of a larger CGU group.

1. Intangible assets (continued)

Customer relationships (continued)

Customer relationships are amortised over a maximum period of 20 years, which represents management's best estimate of the period over which economic benefits are expected to be derived. This estimate is based on the cancellation experience of the existing business/revenue stream.

The amortisation charge on the customer relationships for the year ended 28 February 2021 was R64.1 million (29 February 2020: R55.1 million). The amortisation charge is sensitive to the rate of attrition of the client base which impacts management's useful life assessment, which is illustrated in the table below:

Assumptions	Scenario 1 Years	Scenario 2 Years	Scenario 1 Amortisation charge on customer relationships would have increased to R000	Scenario 2 Amortisation charge on customer relationships would have increased to R000
28 February 2021				
Amortisation period	15	10	79 205	118 810
29 February 2020				
Amortisation period	15	10	70 702	106 053

Goodwill

The CGU groups to which the goodwill balance relates to is as follows:

CGU group	Reportable segment	2021 R000	2020 R000
Wealth distribution	PSG Wealth	122 426	122 426
Products and platform	PSG Wealth	18 728	18 728
Securities	PSG Wealth	23 974	23 974
Asset management	PSG Asset Management	8 719	8 719
Short-term distribution	PSG Insure	156 203	156 656
Short-term administration	PSG Insure	7 458	7 458
Short-term licence business	PSG Insure	74 195	74 195
		411 703	412 156

For impairment testing purposes, goodwill is allocated to CGUs at the lowest level of operating activity to which it relates. The wealth distribution and short-term distribution CGU groups are assessed at an individual adviser office level. The following are the material offices to which goodwill was allocated:

Individual CGU	CGU group	2021 R000	2020 R000
100% offices	Short-term distribution	99 170	99 170
Advance Wealth Management	Wealth distribution	50 310	50 310
Tlotlisa Securities (T-Sec)	Wealth distribution, Securities	37 366	37 366
AIFA commercial and industrial	Short-term distribution	20 798	20 798
AIFA personal lines	Short-term distribution	9 868	10 321
Wealth adviser office (no. 5)	Wealth distribution	9 466	9 466
Insure adviser office (no. 1)	Short-term distribution	9 047	9 047
Wealth adviser office (no. 2)	Wealth distribution	7 457	7 457
Insure adviser office (no. 2)	Short-term distribution	6 574	6 574
		250 056	250 509

Notes to the group financial statements

for the year ended 28 February 2021

1. Intangible assets (continued)

Impairment assessment

When goodwill is evaluated for impairment on an annual basis, the carrying value is assessed on a PE ratio basis in order to determine the fair value less costs of disposal, whereby the PE ratio is multiplied by the current year earnings of the CGU to which the goodwill was allocated. PE ratios used by management are determined with reference to similar listed companies adjusted for specific risks associated to the CGU, as well as recent transactions that occurred within the group. The range of PE ratios used varied from 5.0 to 7.5 (2020: 5.0 to 7.5).

Customer relationships were evaluated for indicators of impairment using the most recent PE ratios for similar transactions in the market. The range of PE ratios used varied from 5.0 to 7.5 (2020: 5.0 to 7.5).

Where there were indicators of impairment on customer relationships or the fair value less costs of disposal of a CGU to which goodwill was allocated was lower than the carrying value, management determined the value in use. The recoverable amount is the higher of the fair value less costs of disposal and the value in use. The value-in-use calculations use cash flow projections based on financial budgets approved by management covering no longer than a five-year planning period. Where appropriate, cash flows were extrapolated into perpetuity by using a terminal growth rate model.

A key input used in the models to determine the value in use of the CGUs is the pre-tax discount rate applied to management's forecast cash flows, which reflects the current market assessments of the time value of money and the risk specific to the CGU. The assumptions have been disclosed below:

	2021 %	2020 %
Risk-free rate (2021: R209; 2020: R209)	10.3	9.8
Tax rate	28.0	28.0
Growth rate	3.0	3.0
Terminal growth rate	3.0	3.0
Discount rate	17.7	18.2

Management's assessment takes into account the current economic conditions prevalent in the Republic of South Africa.

For those CGU groups where a value-in-use calculation was performed, a sensitivity analysis was performed on the calculated value. No value-in-use calculations were required in the 2021 financial year. For the 2020 financial year, a 10% increase/decrease in the discount rate would result in a 11% decrease and 14% increase, respectively, to the calculated value in use. Management has considered and assessed reasonably possible changes in key assumptions and have not identified any instances that could cause the carrying amount of the CGU groups to exceed the value in use. These sensitivities and other relevant factors were considered in management's determination that no intangible assets need to be impaired (2020: Rnil).

2. Property and equipment

	Motor vehicles R000	Office equipment R000	Computer equipment R000	Total R000
As at 28 February 2021				
Cost	1 483	143 731	140 930	286 144
Accumulated depreciation and impairment	(1 110)	(87 581)	(97 914)	(186 605)
Balance at the end of the year	373	56 150	43 016	99 539
Reconciliation				
Balance at the beginning of the year	567	65 352	25 796	91 715
Additions	-	9 992	38 340	48 332
Disposals	-	(301)	(302)	(603)
Depreciation	(194)	(18 328)	(19 993)	(38 515)
Reclassification to assets held for sale (refer to note 12)	-	(555)	(874)	(1 429)
Exchange differences	-	(10)	49	39
Balance at the end of the year	373	56 150	43 016	99 539
As at 29 February 2020				
Cost	1 483	137 336	110 096	248 915
Accumulated depreciation and impairment	(916)	(71 984)	(84 300)	(157 200)
Balance at the end of the year	567	65 352	25 796	91 715
Reconciliation				
Balance at the beginning of the year	525	35 370	31 349	67 244
Additions	436	46 314	13 971	60 721
Disposals	(204)	(449)	(1 563)	(2 216)
Depreciation	(190)	(15 846)	(17 916)	(33 952)
Disposal of subsidiaries (refer to note 35.4)	-	(37)	(48)	(85)
Exchange differences	-	-	3	3
Balance at the end of the year	567	65 352	25 796	91 715

Depreciation expense of R38.5 million (2020: R34.0 million) has been charged as part of depreciation and amortisation as disclosed in note 27.2.

Notes to the group financial statements

for the year ended 28 February 2021

3. Right-of-use assets

	Buildings R000	Total R000
As at 28 February 2021		
Cost	305 224	305 224
Accumulated depreciation and impairment	(94 525)	(94 525)
Balance at the end of the year	210 699	210 699
Reconciliation		
Balance at the beginning of the year	248 220	248 220
Additions	36 310	36 310
Modifications	(7 975)	(7 975)
Terminations	(2 703)	(2 703)
Depreciation	(62 424)	(62 424)
Reclassification to assets held for sale (refer to note 12)	(688)	(688)
Exchange differences	(41)	(41)
Balance at the end of the year	210 699	210 699
As at 29 February 2020		
Cost	300 059	300 059
Accumulated depreciation and impairment	(51 839)	(51 839)
Balance at the end of the year	248 220	248 220
Reconciliation		
Balance at the beginning of the year	150 393	150 393
Additions	122 845	122 845
Modifications	27 751	27 751
Terminations	(873)	(873)
Depreciation	(51 935)	(51 935)
Exchange differences	39	39
Balance at the end of the year	248 220	248 220

Depreciation expense of R62.4 million (2020: R51.9 million) has been charged as part of depreciation and amortisation as disclosed in note 27.2.

4. Lease liabilities

	2021 R000	2020 R000
Balance at the beginning of the year	304 964	179 305
Additions	36 310	135 698
Lease payments ¹	(82 022)	(62 309)
Modifications	(8 496)	27 751
Terminations	(3 176)	(927)
Finance cost	30 946	25 399
Exchange differences	(746)	47
Balance at the end of the year	277 780	304 964
Current portion	53 030	46 459
Non-current portion	224 750	258 505
	277 780	304 964
Maturity analysis – contractual undiscounted cash flows		
Less than 1 year	78 418	76 380
Between 1 and 5 years	244 283	249 868
Over 5 years	31 331	91 749
Balance at the end of the year	354 032	417 997
Exposure to potential undiscounted cash flows which are not included in the lease liability:		
Extension options	64 559	64 559

¹ The lease payments include interest of R30.9 million (2020: R25.4 million), which has been presented on the statement of cash flows within operating activities (as finance costs). The capital repayments of R51.1 million (2020: R36.9 million) have been disclosed within financing activities.

5. Investment in joint ventures

	2021 R000	2020 R000
Unlisted ordinary share investments	1 046	1 105
Reconciliation		
Balance at the beginning of the year	1 105	1 525
Share of losses after taxation	(59)	(420)
Balance at the end of the year	1 046	1 105
Carrying value		
Shares at cost	8 524	8 524
Share of profits and reserves since acquisition	9 835	9 894
Dividends received	(17 313)	(17 313)
Balance at the end of the year	1 046	1 105
Loan granted to joint venture ¹	6 770	6 059
Jan Jonker Property Investment Trust		
Unsecured loan bearing interest at Namibian prime rate plus 2% with no repayment terms	6 770	6 059

¹ The loan granted to the joint venture is recoverable on demand and is included under note 11 (Receivables including insurance receivables).

PSG Konsult Limited obtained the investment in Jan Jonker Property Investment Trust through the acquisition of the subsidiary, Western Group Holdings Limited, on 1 November 2012.

Notes to the group financial statements

for the year ended 28 February 2021

6. Deferred income tax

	2021 R000	2020 R000
Analysis of the net deferred income tax balance¹:		
Deferred income tax assets	83 555	81 315
Deferred income tax liabilities	(82 474)	(69 701)
Net deferred income tax assets	1 081	11 614
Deferred income tax assets		
To be recovered within 12 months	69 727	62 944
To be recovered after 12 months	13 828	18 371
	83 555	81 315
Deferred income tax liabilities		
To be recovered within 12 months ²	23 432	17 819
To be recovered after 12 months	(105 906)	(87 520)
	(82 474)	(69 701)
 ¹ Calculated on a net basis per subsidiary company, assuming that a company either has a deferred income tax asset or liability.		
² One subsidiary company reported a net deferred income tax liability at 28 February 2021 (29 February 2020: one), with a debit balance for the deferred income tax liability's current portion. This represents a current deferred income tax asset that exceeds the current deferred income tax liability and a non-current deferred income tax liability that exceeds the non-current deferred income tax asset.		
The gross movement of the deferred income tax is as follows:		
Balance at the beginning of the year	11 614	58 271
Other movements	395	1 134
Disposal of books of business	381	1 474
Disposal of subsidiaries (refer to note 35.4)	-	(38)
Reclassification to assets and liabilities held for sale (refer to note 12)	(1 410)	-
Tax credit/(charge) to equity	2 583	(31 054)
Charge to profit or loss	(12 482)	(18 173)
Balance at the end of the year	1 081	11 614

Creation of deferred tax assets and recognition of deferred tax liabilities

The deferred income tax assets and liabilities were calculated in full on all temporary differences under the liability method using an effective tax rate of 28% (2020: 28%) in South Africa and the official tax rates in the foreign subsidiaries, where applicable.

The recoverability of the deferred income tax assets was assessed, as set out in the accounting policies in Annexure A. Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is possible.

The deferred income tax asset of R7.1 million (2020: R5.5 million) raised due to tax losses relates to subsidiaries that have suffered a loss in either the current or preceding year. Based on approved budgets prepared by management of these subsidiaries, the group considers it probable that the deferred income tax asset will be used against future taxable profits. The group has unused accumulated losses of R3.2 million (2020: R11.5 million) for which no deferred income tax asset has been raised.

6. Deferred income tax (continued)

The gross movement in the deferred income tax assets and liabilities during the year per category is as follows¹:

Deferred income tax assets	Deferred revenue R000	Provisions for other liabilities and charges R000	Lease liabilities R000	Tax losses carried forward R000	Accruals not currently deductible and other differences R000	Total R000
Carrying value at 1 March 2019	5 076	85 674	50 206	10 629	47 621	199 206
(Charge)/credit to profit or loss	(127)	(2 821)	35 117	(6 459)	28	25 738
Charge to equity	-	(31 054)	-	-	-	(31 054)
Disposal of subsidiaries (refer to note 35.4)	-	-	-	(1)	(37)	(38)
Other movements ²	-	(226)	-	1 332	433	1 539
Carrying value at 29 February 2020	4 949	51 573	85 323	5 501	48 045	195 391
Credit/(charge) to profit or loss	36	(5 844)	(8 172)	2 609	15 432	4 061
Credit to equity	-	2 583	-	-	-	2 583
Reclassification to assets held for sale (refer to note 12)	-	(335)	(55)	(1 079)	-	(1 469)
Other movements ²	-	104	-	107	189	400
Carrying value at 28 February 2021	4 985	48 081	77 096	7 138	63 666	200 966

Deferred income tax liabilities	Deferred acquisition cost R000	Prepaid expenses R000	Unrealised appreciation of investments R000	Right-of-use assets R000	Other intangible assets R000	Foreign exchange and other R000	Total R000
Carrying value at 1 March 2019	(5 023)	(1 826)	(13 013)	(42 111)	(78 979)	17	(140 935)
Credit/(charge) to profit or loss	122	(1 854)	(17 721)	(27 316)	6 081	(3 223)	(43 911)
Disposal of books of business	-	-	-	-	1 474	-	1 474
Other movements	-	-	18	-	-	(423)	(405)
Carrying value at 29 February 2020	(4 901)	(3 680)	(30 716)	(69 427)	(71 424)	(3 629)	(183 777)
(Charge)/credit to profit or loss	(49)	852	(34 990)	11 045	5 897	702	(16 543)
Disposal of books of business	-	-	-	-	381	-	381
Reclassification to liabilities held for sale (refer to note 12)	-	-	-	55	-	4	59
Other movements	-	-	-	-	-	(5)	(5)
Carrying value at 28 February 2021	(4 950)	(2 828)	(65 706)	(58 327)	(65 146)	(2 928)	(199 885)

¹ The movement schedule shows the deferred tax on a gross basis, i.e. breaks the respective entities' net deferred income tax asset/liability into the various categories.

² The other movements mainly relate to the deferred tax impact of the exchange differences on the conversion of the group's foreign subsidiaries.

Notes to the group financial statements

for the year ended 28 February 2021

7. Reinsurance assets

	2021 R000	2020 R000
Reinsurers' share of insurance liabilities	234 127	127 303
Balance at the beginning of the year	127 303	103 758
Movement for the year ¹	106 824	23 545
Total assets arising from reinsurance contracts	234 127	127 303
Current portion	234 127	127 303
Non-current portion	-	-
	234 127	127 303

¹ Refer to note 17 for further detail regarding the movement in reinsurance assets for the 2021 financial year.

Amounts due from reinsurers in respect of claims already paid by the group on the contracts that are reinsured, are included under note 11 (Receivables including insurance receivables).

8. Loans and advances

	2021 R000	2020 R000
Secured		
Loans to short-term insurance clients (i)	940	2 772
Loans to financial advisers (ii)	120 010	94 443
	120 950	97 215
Unsecured		
Loans to financial advisers (ii)	44 514	39 750
Loans with non-controlling interest (iii)	468	468
Other (iii)	979	579
	45 961	40 797
Total loans and advances	166 911	138 012
Current portion	78 705	77 537
Non-current portion	88 206	60 475
	166 911	138 012

(i) Loans to short-term insurance clients

- These loans are mainly through Hi-Five Corporate Finance Proprietary Limited, a subsidiary of Western Group Holdings Limited
- They accrue interest at rates ranging between 4.85% and 8.10% (2020: 4.85% and 8.10%)
- The repayment terms and conditions of the loans are negotiated on a case-by-case basis

(ii) Loans to financial advisers

The balance of the secured loans to financial advisers is made up as follows:

- R118.4 million (2020: R92.8 million) is repayable by monthly instalments and the effective interest rates applied range between 8.39% and 10.39% (2020: 11.07% and 13.07%)
- R1.6 million (2020: R1.6 million) is interest-free and repayable on demand

The unsecured loans to financial advisers balance consists of:

- R11.7 million (2020: R10.5 million) is repayable by monthly instalments and the effective interest rate applied is 9.39% (2020: 12.07% and 12.57%)
- R37.0 million (2020: R32.7 million) is interest-free and repayable on demand
- An expected credit loss of R4.2 million (2020: R3.4 million)

(iii) Other loans and advances

The remaining loans and advances consist of balances which are interest-free and repayable on demand.

8. Loans and advances (continued)

Analysis of loans to financial advisers

The loans to financial advisers have been categorised as follows:

Category	Description
Stage 1	These are loans which are up-to-date with no indication of a significant increase in credit risk.
Stage 2	These are loans which have had a significant increase in credit risk, but are not credit impaired, due to the following: - the adviser's books of business are not performing as expected; or - the adviser has missed repayments, other than due to the group's administrative reasons, and this has not been rectified within a month.
Stage 3	These are loans which have assessed to be credit impaired as a result of: - the adviser no longer being employed by the group; - legal is trying to recover the loan; or - the loan is more than three months in arrears.
Write-off	Loans are written off when there is no reasonable expectation of further recovery.

Reconciliation of loans to financial advisers (excluding expected credit loss provision)

	Stage 1 R000	Stage 2 R000	Stage 3 R000	Total R000
Carrying value at 1 March 2019	119 584	4 656	544	124 784
New loans granted/advances on existing loans	79 782	3 114	–	82 896
Loan repayments/derecognised (excluding write-offs)	(77 105)	(4 184)	(104)	(81 393)
Interest accrued for the year	11 065	296	–	11 361
Transfers between stages	453	(632)	179	–
Write-offs	–	–	(18)	(18)
Carrying value at 29 February 2020	133 779	3 250	601	137 630
New loans granted/advances on existing loans	123 224	5 059	–	128 283
Loan repayments/derecognised (excluding write-offs)	(104 558)	(2 607)	(106)	(107 271)
Interest accrued for the year	9 999	468	–	10 467
Transfers between stages	(372)	–	372	–
Write-offs	–	–	(350)	(350)
Carrying value at 28 February 2021	162 072	6 170	517	168 759

Under IFRS 9, loss allowances for loans to financial advisers are measured under the general expected credit loss model.

Reconciliation of expected credit loss provision on loans to financial advisers

	Stage 1 R000	Stage 2 R000	Stage 3 R000	Total R000
Carrying value at 1 March 2019	(1 357)	(1 338)	(532)	(3 227)
(Charge)/credit to profit or loss				
In respect of financial assets originated during the year	(159)	(1 106)	–	(1 265)
In respect of financial assets originated during prior years	534	625	(122)	1 037
Transfers between stages	(43)	11	32	–
Write-offs	–	–	18	18
Carrying value at 29 February 2020	(1 025)	(1 808)	(604)	(3 437)
(Charge)/credit to profit or loss				
In respect of financial assets originated during the year	(174)	(585)	–	(759)
In respect of financial assets originated during prior years	25	(523)	109	(389)
Transfers between stages	372	–	(372)	–
Write-offs	–	–	350	350
Carrying value at 28 February 2021	(802)	(2 916)	(517)	(4 235)

Notes to the group financial statements

for the year ended 28 February 2021

9. Financial instruments

Instrument per category	2021 Fair value through profit or loss R000	2020 Fair value through profit or loss R000
Debt securities	3 847 637	6 212 400
Unit-linked investments	61 790 947	50 398 850
Equity securities	2 577 300	2 229 474
Investment in investment contracts	14 402	15 587
	68 230 286	58 856 311

Debt securities

Reconciliation	Fair value through profit or loss R000	Amortised cost R000	Total R000
Carrying value at 1 March 2019	6 195 523	66 548	6 262 071
Additions ¹	11 727 670	-	11 727 670
Disposals	(5 501 666)	-	(5 501 666)
Maturities	(6 824 044)	(69 079)	(6 893 123)
Exchange differences	1 109	-	1 109
Unrealised fair value net losses	(4 873)	-	(4 873)
Realised gains ¹	84 288	-	84 288
Interest and dividends	534 393	728	535 121
Finance income	-	1 803	1 803
Carrying value at 29 February 2020	6 212 400	-	6 212 400
Additions	20 035 076	-	20 035 076
Disposals	(6 050 631)	-	(6 050 631)
Disposal of subsidiaries (refer to note 35.4)	(1 404 553)	-	(1 404 553)
Maturities	(15 338 061)	-	(15 338 061)
Unrealised fair value net gains	32 880	-	32 880
Realised gains	56 343	-	56 343
Interest and dividends	304 183	-	304 183
Carrying value at 28 February 2021	3 847 637	-	3 847 637

¹ The comparative figures were restated, refer to note 38 for details of the restatement.

	2021 R000	2020 R000
Direct investments		
Consolidated collective investment schemes	3 508 981	5 789 117
Own balances	15 429	52 372
Investments linked to investment contracts	323 227	370 911
	3 847 637	6 212 400
Current portion	2 988 630	4 666 245
Non-current portion	859 007	1 546 155
	3 847 637	6 212 400

9. Financial instruments (continued)

Unit-linked investments

Reconciliation

	Fair value through profit or loss R000	Total R000
Carrying value at 1 March 2019	46 488 080	46 488 080
Additions	17 521 994	17 521 994
Disposals	(14 805 442)	(14 805 442)
Exchange differences	9 263	9 263
Unrealised fair value net losses	(1 434 724)	(1 434 724)
Realised gains	1 131 063	1 131 063
Interest and dividends	1 488 616	1 488 616
Carrying value at 29 February 2020	50 398 850	50 398 850
Additions	13 754 756	13 754 756
Disposals	(11 141 246)	(11 141 246)
Disposal of subsidiaries (refer to note 35.4)	(472 732)	(472 732)
Exchange differences	146 002	146 002
Unrealised fair value net gains	7 174 016	7 174 016
Realised gains	438 748	438 748
Reclassification to assets held for sale (refer to note 12)	(12 618)	(12 618)
Interest and dividends	1 505 171	1 505 171
Carrying value at 28 February 2021	61 790 947	61 790 947
	2021 R000	2020 R000
Direct investments		
Consolidated collective investment schemes	32 272 567	25 541 501
Own balances	1 713 628	677 147
Investments linked to investment contracts	27 804 752	24 180 202
	61 790 947	50 398 850
Current portion	4 218 006	2 324 528
Non-current portion	57 572 941	48 074 322
	61 790 947	50 398 850

Notes to the group financial statements

for the year ended 28 February 2021

9. Financial instruments (continued)

Equity securities

Reconciliation

	Fair value through profit or loss R000	Total R000
Carrying value at 1 March 2019	2 353 387	2 353 387
Additions	423 991	423 991
Disposals	(462 417)	(462 417)
Unrealised fair value net losses	(154 017)	(154 017)
Exchange differences	4 758	4 758
Realised losses	(6 437)	(6 437)
Dividends and interest	70 209	70 209
Carrying value at 29 February 2020	2 229 474	2 229 474
Additions	624 675	624 675
Disposals	(455 134)	(455 134)
Disposal of subsidiaries (refer to note 35.4)	(119 901)	(119 901)
Unrealised fair value net gains	246 067	246 067
Exchange differences	6 851	6 851
Realised losses	(18 094)	(18 094)
Dividends and interest	63 362	63 362
Carrying value at 28 February 2021	2 577 300	2 577 300

	2021 R000	2020 R000
Direct investments		
Consolidated collective investment schemes	-	112 362
Own balances	31 650	20 173
Investments linked to investment contracts	2 545 650	2 096 939
	2 577 300	2 229 474
Current portion	400 724	259 406
Non-current portion	2 176 576	1 970 068
	2 577 300	2 229 474

9. Financial instruments (continued)

Investment in investment contracts

Reconciliation

	Fair value through profit or loss R000	Total R000
Carrying value at 1 March 2019	16 048	16 048
Investment contracts benefits paid	(111)	(111)
Fair value adjustment and reinvestments to investment contracts	(350)	(350)
Carrying value at 29 February 2020	15 587	15 587
Investment contracts benefits paid	(410)	(410)
Fair value adjustment and reinvestments to investment contracts	(775)	(775)
Carrying value at 28 February 2021	14 402	14 402

	2021 R000	2020 R000
Investments linked to investment contracts	14 402	15 587
Current portion	-	-
Non-current portion	14 402	15 587
	14 402	15 587

10. Derivative financial instruments

	2021 R000	2020 R000
Derivative financial assets	12 284	23 131
Derivative financial liabilities	(15 330)	(30 406)
Net derivative financial instruments	(3 046)	(7 275)
Derivative financial assets		
Current portion	12 284	23 131
Non-current portion	-	-
	12 284	23 131
Derivative financial liabilities		
Current portion	(15 330)	(30 406)
Non-current portion	-	-
	(15 330)	(30 406)
Analysis of net derivative balance		
Equity traded derivatives		
Contracts for difference	(3 046)	(7 275)
Reconciliation of net derivative balance		
Balance at the beginning of the year	(7 275)	(3 381)
Additions	4 229	-
Disposals	-	(3 894)
Balance at the end of the year	(3 046)	(7 275)

The notional principal amounts of the outstanding contracts for difference assets and liabilities at 28 February 2021 were R102.9 million (29 February 2020: R135.0 million) and R109.1 million (29 February 2020: R149.7 million) respectively.

Notes to the group financial statements

for the year ended 28 February 2021

11. Receivables including insurance receivables

	2021 R000	2020 R000
Trade receivables	345 873	181 244
Receivables due from related parties (refer to note 34) (i)	89 975	79 614
Prepayments	27 083	35 671
Brokers and clearing houses and client accounts (ii)	1 614 054	1 625 666
Rental and other deposits	4 998	5 423
VAT receivable	13 278	10 655
Contracts for difference (iii)	16 043	43 485
Sundry debtors	66	60
	2 111 370	1 981 818
<i>Receivables due from contract holders and reinsurers¹</i>		
Due from contract holders	75 656	73 863
Due from intermediaries	14 687	10 250
Due from reinsurers	19 044	28 374
	109 387	112 487
Total receivables including insurance receivables ²	2 220 757	2 094 305
Current portion	2 213 987	2 088 246
Non-current portion	6 770	6 059
	2 220 757	2 094 305

¹ The receivables due from contract holders and reinsurers are accounted for in terms of IFRS 4.

² Includes non-financial assets of R40.4 million (2020: R46.3 million).

All non-current receivables are due within five years from the end of the reporting period.

(i) Receivables due from related parties

- Includes balances of R6.8 million (2020: R6.1 million) that accrue interest. The effective interest rate applied to these balances is 9.87% (2020: 12.36%) and there are no fixed repayment terms.
- The remaining balances are interest-free and repayable on demand.

(ii) Brokers and clearing houses and client accounts

- This 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.
- Included in client accounts are balances of R85.6 million (2020: R161.8 million) which accrue interest at prime.
- The remaining balance is interest-free.

(iii) Contracts for difference

- Contracts for difference consist of collateral assets and margin accounts held by the underlying banking institutions on behalf of clients and are valued at the carrying value after processing the daily market and interest adjustments.
- The balance on 28 February 2021 and 29 February 2020 only represents the margin receivable at year-end from the financial institutions and accrues interest at SAFEX plus 2%.

The group applies the simplified approach to providing for expected credit losses on the financial receivables excluding receivables due from contract holders and reinsurers, as prescribed by IFRS 9, which requires the use of lifetime expected loss provisions for all receivables at amortised cost. In assessing the impairment that should be raised, credit enhancements such as security held were taken into account (refer to page 183 for further detail). An insignificant portion of the receivables were not classified as stage 1. Based on this assessment, the expected credit loss provision was immaterial.

The group has not recognised any contract assets as only the passage of time is required before payment of the consideration is due. Contract liabilities of R17.8 million (2020: R17.7 million) have been included under note 20 (Trade and other payables).

12. Assets and liabilities held for sale

The assets and liabilities classified as held for sale relate to the Western Insurance Botswana Proprietary Limited and Western Life Insurance Botswana Proprietary Limited businesses, which have been presented as held for sale following the approval by the group's management to sell these businesses.

	Western Insurance Botswana (Pty) Ltd R000	Western Life Insurance Botswana (Pty) Ltd R000	Total R000
Assets classified as held for sale			
Unit-linked investments	8 198	4 420	12 618
Reinsurance assets	19 423	-	19 423
Receivables including insurance receivables	11 930	26	11 956
Other assets	5 574	848	6 422
Cash and cash equivalents (including money market funds)	10 759	2 965	13 724
	55 884	8 259	64 143
Liabilities classified as held for sale			
Insurance contracts	31 825	2 814	34 639
Deferred reinsurance acquisition revenue	2 973	-	2 973
Other liabilities	650	1 246	1 896
	35 448	4 060	39 508

The group expects to complete the sale of these investments within 12 months of the year-end.

13. Cash and cash equivalents (including money market funds)

	2021 R000	2020 R000
Cash at bank and in hand	814 120	674 006
Short-term deposits	789 504	399 647
	1 603 624	1 073 653

The effective interest rate on cash and cash equivalents was 3.52% (2020: 6.32%). The short-term deposits have an average maturity of 30 days or less.

Impairments on cash and cash equivalents are measured on a 12-month expected credit loss basis and reflect the short-term maturities of the exposures. The group considers that its cash and cash equivalents have good credit quality based on the external credit ratings of the counterparties. No impairment is considered necessary.

Cash and cash equivalents included above relating to investment contract liabilities amounted to R31.9 million (2020: R30.6 million). Refer to note 18.

Notes to the group financial statements

for the year ended 28 February 2021

14. Stated capital

Authorised

3 billion shares with no par value
(2020: 3 billion shares with no par value)

There were no changes to the authorised stated capital during the current reporting period (2020: no changes).

Issued shares	Number of shares (thousands)	Stated capital R000
As at 1 March 2019	1 364 885	2 129 572
Issue of ordinary shares	2 379	24 145
Repurchase and cancellation of ordinary shares	(10 341)	(84 688)
As at 29 February 2020	1 356 923	2 069 029
Issue of ordinary shares	5 000	36 628
Repurchase and cancellation of ordinary shares	(20 993)	(166 798)
As at 28 February 2021	1 340 930	1 938 859

During the year under review, the group, through its subsidiary PSG Multi Management Proprietary Limited, concluded a portfolio management acquisition transaction with some of its advisers during the reporting period. The purpose of this transaction was to consolidate and align certain client share portfolio research and operational management activities within the firm. The consideration was paid with the issue of PSG Konsult shares (5 million shares at an average of R7.35 per share) and a cash consideration of R70.6 million on the effective date.

During the 2021 financial year, the company repurchased and cancelled 21.0 million ordinary shares at a cost of R166.8 million at a weighted average cost price of R7.95 per share. The cost was deducted from stated capital. The buy back and cancellation were approved by shareholders at last year's AGM.

The shares issued during the previous financial year were to fulfil the group's obligation towards the share options which vested on 18 April 2019 and 1 August 2019 respectively.

During October 2019 the company repurchased and cancelled 8.8 million ordinary shares. The weighted average cost price of the shares acquired were R8.08 per share. PSG Konsult repurchased and cancelled a further 1.5 million shares at a cost of R13.7 million during February 2020 at a weighted average cost price of R8.83 per share. The total cost of R84.7 million (weighted average cost price of R8.19 per share) was deducted from stated capital. The buy back and cancellation were approved by shareholders at the 2019 AGM.

All shares issued by the company were fully paid. The unissued shares in the company are placed under the control of the directors until the next AGM. The directors are authorised to buy back shares under general approval, subject to certain limitations and the JSE Listings Requirements.

14. Stated capital (continued)

Summary of the cash flow impact of the shares issued during the respective financial years

	2021 R000	2020 R000
Issue of ordinary shares	36 628	24 145
Loss on issue of shares in terms of share scheme	-	(8 819)
Shares issued for asset-for-share transaction	(36 628)	-
Cash inflow	-	15 326

Treasury shares

The shares bought back as treasury shares during the prior financial year, by the PSG Konsult Group Share Incentive Trust to fulfil the share incentive scheme and deferred bonus obligations, were reflected as a deduction against equity. Refer to Annexure C for the share analysis.

Analysis of treasury shares

	Number of shares (thousands)	Treasury shares R000
As at 1 March 2019	28 218	230 723
Treasury shares sold or cancelled	(24 613)	(227 772)
Treasury shares purchased	14 964	146 322
Release of profits on disposal from treasury shares to retained earnings	-	21 855
As at 29 February 2020	18 569	171 128
Treasury shares sold or cancelled	(1 633)	(11 980)
Release of losses on disposal from treasury shares to retained earnings	-	(3 610)
As at 28 February 2021	16 936	155 538

Summary of the cash flow impact of the treasury shares sold during the respective financial years

	2021 R000	2020 R000
Treasury shares sold	11 980	227 772
Cancellation of shares acquired by subsidiary in prior years	-	(72 700)
Loss on issue of shares in terms of share scheme	(7 435)	(63 015)
Cash inflow	4 545	92 057

Share incentive scheme

During the current and prior financial years, the group operated an equity-settled share incentive scheme in terms of the PSG Konsult Group Share Incentive Scheme (number of grants under current scheme – 2021: nine; 2020: nine). In terms of the scheme, share options are granted to executive directors, and senior and middle management.

In terms of the share incentive scheme, share options are allocated to participants at grant date at market price. The settlement of the purchase consideration payable by the employee in terms of the share options granted occurs on delivery. The only vesting requirement is that the employee must remain in the employment of the group at the relevant tranche vesting date in order to exercise options.

The assumptions made regarding share options issued are set out in this note.

The total equity-settled share-based payment costs recognised in the income statement for the scheme were R33.8 million (2020: R26.3 million). The share-based payment costs expensed during the year were credited to other reserves (as part of equity – refer to note 15).

The weighted average strike price of share options exercised in terms of the equity-settled share scheme during the year under review was R7.05 per share (2020: R6.64 per share).

Notes to the group financial statements

for the year ended 28 February 2021

14. Stated capital (continued)

Share incentive scheme (continued)

The total fair value of the 238.2 million share options granted is R297.9 million (2020: 218.2 million share options granted with fair value of R265.3 million) and was determined using the Black-Scholes valuation model for share options issued prior to 1 March 2019, and using a Modified Binomial Tree model for share options issued subsequent to this date. The fair value of the options granted during 2021 is R32.6 million (2020: R50.5 million).

Vesting of shares occurs as follows:

	%
2 years after grant date	25
3 years after grant date	25
4 years after grant date	25
5 years after grant date	25
	100

Granting of share options occurred as follows:	Number of share options	Strike price R	Volatility used ¹ %	Dividend yield %	Risk-free rate %	Fair value of share price R
1 March 2011	27 761 084	1.54	4.74	5.65	7.89	1.75
1 July 2012	11 753 248	1.83	2.93	5.85	7.38	1.85
1 March 2013	46 250 000	2.83	30.00	6.00	6.20	2.40
1 June 2013	1 000 000	2.80	24.00	4.20	7.26	2.55
1 August 2013	300 000	3.40	24.00	3.46	7.26	3.50
1 March 2014 ²	25 000 000	5.06	29.25	2.23	8.07	4.30
1 April 2014	240 000	0.00	29.25	2.23	8.07	4.30
1 April 2015 ³	14 755 778	7.27	24.74	1.99	7.06	7.25
1 April 2016 ⁴	27 700 778	6.81	34.72	2.24	8.42	6.84
1 August 2016 ⁵	150 000	6.83	34.14	2.26	7.79	6.77
1 April 2017 ⁶	22 739 006	7.59	26.76	2.35	7.62	7.55
1 April 2018 ⁷	20 475 000	8.74	22.06	2.45	7.81	8.90
1 April 2019 ⁸	18 000 000	10.15	28.17	2.51 – 2.59	7.03 – 7.38	9.95
1 June 2019	300 000	10.27	27.99	2.46 – 2.51	6.92 – 7.29	9.60
1 November 2019	250 000	8.20	28.21	2.08 – 2.34	6.76 – 7.24	9.12
1 February 2020	1 500 000	9.26	28.28	2.75 – 2.87	6.29 – 6.72	9.00
1 April 2020	20 000 000	7.13	32.34	3.44 – 3.63	5.56 – 7.27	6.80
	238 174 894					

¹ Volatility set at historic trend levels of PSG Konsult shares.

² During the 2020 financial year, 4.93 million shares vested with a weighted average strike price of R5.06 per share.

³ During the 2021 financial year, 1.20 million shares vested with a weighted average strike price of R7.27 per share, 0.02 million shares were cancelled, and 1.24 million shares expired (2020: 2.73 million shares vested with a weighted average strike price of R7.27 per share, and 0.27 million shares were cancelled).

⁴ During the 2021 financial year, 6.22 million shares vested with a weighted average strike price of R6.81 per share, and 0.01 million shares were cancelled (2020: 6.45 million shares vested with a weighted average strike price of R6.81 per share, and 0.44 million shares were cancelled).

⁵ During the 2021 financial year, 0.01 million shares vested with a weighted average strike price of R6.83 per share (2020: 0.01 million shares vested with a weighted average strike price of R6.83 per share).

⁶ During the 2021 financial year, 2.25 million shares vested with a weighted average strike price of R7.59 per share, 0.02 million shares were cancelled and 2.15 million shares expired (2020: 5.26 million shares vested with a weighted average strike price of R7.59 per share, and 2.60 million shares were cancelled).

⁷ During the 2021 financial year, 4.42 million shares expired (2020: 2.10 million shares were cancelled).

⁸ During the 2020 financial year, 1.38 million shares were cancelled.

14. Stated capital (continued)**Share incentive scheme (continued)**

Analysis of outstanding share options by financial year of maturity	2021		2020	
	Weighted average strike price R	Number	Weighted average strike price R	Number
28 February 2021	-	-	7.56	17 515 760
28 February 2022	8.18	19 714 334	8.18	19 725 730
28 February 2023	8.36	18 480 775	8.82	13 488 660
29 February 2024	8.60	14 087 500	9.42	9 087 500
28 February 2025	8.54	9 668 750	10.05	4 668 750
28 February 2026	7.13	5 000 000	-	-
		66 951 359		64 486 400

Analysis of share options

	2021 Number	2020 Number
Number of share options allocated at the beginning of the year	64 486 400	70 598 253
Number of share options cancelled during the year	(47 303)	(6 782 595)
Number of share options vested during the year	(9 675 611)	(19 379 258)
Number of share options allocated during the year	20 000 000	20 050 000
Number of share options expired during the year	(7 812 127)	-
Number of share options allocated at the end of the year	66 951 359	64 486 400

Analysis of outstanding scheme shares per award

1 April 2015	-	2 458 781
1 April 2016	6 221 060	12 449 140
1 August 2016	12 500	25 000
1 April 2017	8 786 549	13 203 479
1 April 2018	13 256 250	17 675 000
1 April 2019	16 625 000	16 625 000
1 June 2019	300 000	300 000
1 November 2019	250 000	250 000
1 February 2020	1 500 000	1 500 000
1 April 2020	20 000 000	-
	66 951 359	64 486 400

The weighted average PSG Konsult share price for the year was R7.58 (2020: R9.33).

Notes to the group financial statements

for the year ended 28 February 2021

15. Other reserves

	Foreign currency translation R000	Share-based payment R000	Common control R000	Total R000
Carrying value at 1 March 2019	3 964	94 547	(459 337)	(360 826)
Share-based payment costs	-	26 306	-	26 306
Currency translation adjustments	10 998	-	-	10 998
Deferred tax on equity-settled share-based payments	-	(31 054)	-	(31 054)
Current tax on equity-settled share-based payments	-	9 584	-	9 584
Loss on issue of shares in terms of share scheme	-	(71 834)	-	(71 834)
Release of share-based payment reserve to retained earnings	-	22 507	-	22 507
Carrying value at 29 February 2020	14 962	50 056	(459 337)	(394 319)
Share-based payment costs	-	33 827	-	33 827
Currency translation adjustments	1 650	-	-	1 650
Deferred tax on equity-settled share-based payments	-	2 583	-	2 583
Current tax on equity-settled share-based payments	-	(3 296)	-	(3 296)
Loss on issue of shares in terms of share scheme	-	(7 435)	-	(7 435)
Release of share-based payment reserve to retained earnings	-	(28 348)	-	(28 348)
Carrying value at 28 February 2021	16 612	47 387	(459 337)	(395 338)

The common control reserve originated from various business combinations concluded with companies within the PSG Group. IFRS 3 – Business Combinations did not apply to these business combinations, as it was effected between parties that are ultimately controlled by PSG Group Limited, otherwise known as a common control transaction. The group elected to apply 'predecessor accounting'. Refer to note 3.3 of the detailed accounting policies for further explanation of the common control accounting policy.

The material transactions concluded in prior financial years were the acquisition of PSG Securities Limited on 1 November 2006, the acquisition of PSG Fixed Income and Commodities Proprietary Limited on 1 March 2010 and the acquisition of PSG Asset Management Holdings Proprietary Limited on 1 March 2011. These companies were all bought from subsidiaries within the PSG Group, with the ultimate holding company being PSG Group Limited.

16. Non-controlling interest

	2021 R000	2020 R000
Balance at the beginning of the year	278 647	225 308
Profit for the year	71 615	60 604
Dividends paid	(6 063)	(5 003)
Additional interest acquired from non-controlling interest	-	(431)
Disposal of subsidiaries (refer to note 35.4)	-	(1 831)
Balance at the end of the year	344 199	278 647

17. Insurance contracts and reinsurance assets

	2021 R000	2020 R000
Gross		
Long-term insurance contracts (refer to a)	15 605	19 844
Short-term insurance contracts		
– claims reported and loss adjustment expenses (refer to b) ¹	326 443	185 970
– claims incurred but not reported (refer to c)	108 847	104 594
– unearned premiums and unexpired risk provision (refer to d)	201 879	244 061
Total insurance liabilities – gross	652 774	554 469
Current portion	637 169	534 625
Non-current portion	15 605	19 844
Recoverable from reinsurers		
Long-term insurance contracts (refer to a)	–	–
Short-term insurance contracts		
– claims reported and loss adjustment expenses (refer to b) ¹	188 735	77 056
– claims incurred but not reported (refer to c)	29 037	27 957
– unearned premiums and unexpired risk provision (refer to d)	16 355	22 290
Total reinsurers' share of insurance liabilities	234 127	127 303
Current portion	234 127	127 303
Non-current portion	–	–
Net		
Long-term insurance contracts (refer to a)	15 605	19 844
Short-term insurance contracts		
– claims reported and loss adjustment expenses (refer to b) ¹	137 708	108 914
– claims incurred but not reported (refer to c)	79 810	76 637
– unearned premiums and unexpired risk provision (refer to d)	185 524	221 771
Total insurance liabilities – net	418 647	427 166

¹ The claims reported and loss adjustment expenses in the 2021 financial year includes a net technical provision of R47.7 million (gross provision of R161.0 million, with a reinsurers' portion of R113.3 million) relating to all qualifying policies with business interruption cover including contagious diseases such as the COVID-19 pandemic. The provision is considered to be adequate based on current information, which includes engagement with policyholders and reinsurers.

Notes to the group financial statements

for the year ended 28 February 2021

17. Insurance contracts and reinsurance assets (continued)

The gross claims reported, the loss adjustment expenses liabilities and the liability for claims incurred but not reported are net of expected recoveries from salvages. The amounts for salvage at 28 February 2021 and 29 February 2020 are not material.

Movements in insurance contracts and reinsurance assets:

	2021 R000	2020 R000
a) Long-term insurance contracts		
Balance at the beginning of the year	19 844	20 800
Liabilities released for payments on death, surrender and other terminations for the year	(2 625)	(2 856)
Fees deducted from account balances	(117)	(138)
Transfer to policyholder funds	(2 523)	1 101
Reclassification to liabilities held for sale	(415)	-
Changes in unit prices	1 322	776
Exchange differences	119	161
Balance at the end of the year	15 605	19 844

Refer to page 197 for the significant assumptions used in the long-term insurance contract liabilities.

	2021			2020		
	Gross R000	Reinsurance R000	Net R000	Gross R000	Reinsurance R000	Net R000
b) Claims reported and loss adjustment expenses						
Balance at the beginning of the year	185 970	(77 056)	108 914	155 560	(66 621)	88 939
Cash paid for claims settled in the year	(851 396)	267 910	(583 486)	(891 601)	262 709	(628 892)
Increase in liabilities ¹	1 000 981	(385 058)	615 923	921 607	(273 524)	648 083
Reclassification to assets and liabilities held for sale	(9 060)	5 434	(3 626)	-	-	-
Other movements	(52)	35	(17)	404	380	784
Balance at the end of the year	326 443	(188 735)	137 708	185 970	(77 056)	108 914
c) Provision for IBNR						
Balance at the beginning of the year	104 594	(27 957)	76 637	86 747	(21 390)	65 357
Charged to the income statement	10 652	(5 068)	5 584	17 631	(6 435)	11 196
Reclassification to assets and liabilities held for sale	(6 232)	3 882	(2 350)	-	-	-
Net exchange differences	(167)	106	(61)	216	(132)	84
Balance at the end of the year	108 847	(29 037)	79 810	104 594	(27 957)	76 637
d) Provision for unearned premiums and unexpired risk provision						
Balance at the beginning of the year	244 061	(22 290)	221 771	278 979	(15 747)	263 232
Charged to the income statement	(21 992)	(4 421)	(26 413)	(32 721)	(6 165)	(38 886)
Reclassification to assets and liabilities held for sale	(18 932)	10 107	(8 825)	-	-	-
Other movements	(1 258)	249	(1 009)	(2 197)	(378)	(2 575)
Balance at the end of the year	201 879	(16 355)	185 524	244 061	(22 290)	221 771

¹ The increase in liabilities was previously allocated between the movement arising from current year claims and prior year claims.

Claims development tables

Due to the nature of the short-term insurance contracts, the uncertainty about the amount and timing of claims payments is typically resolved within one year. The corresponding reinsurance contracts are therefore estimated to realise within the next 12 months.

Liability adequacy test

An unexpired risk reserve is required if the group believes that its unearned premium reserve will prove insufficient to cover the unexpired risk on its books at the valuation date. The majority of the group's net provision for unearned premiums and unexpired risk provision relates to an unexpired risk reserve.

18. Investment contracts

	2021 R000	2020 R000
Balance at the beginning of the year	26 694 209	25 932 120
Investment contract receipts	3 950 119	3 453 184
Investment contract benefits paid	(3 767 781)	(2 908 660)
Interest charge	-	1 803
Commission and administration expenses	(309 363)	(289 777)
Fair value adjustment to investment contract liabilities	4 152 721	505 539
Balance at the end of the year	30 719 905	26 694 209
Current portion	4 372 890	2 945 720
Non-current portion	26 347 015	23 748 489
	30 719 905	26 694 209
Fair value through profit or loss	30 719 905	26 694 209
At amortised cost	-	-
	30 719 905	26 694 209
Investment contracts are represented by the following investments:		
Debt securities	323 227	370 911
Unit-linked investments	27 804 752	24 180 202
Equity securities	2 545 650	2 096 939
Investment in investment contracts	14 402	15 587
Cash and cash equivalents	31 874	30 570
	30 719 905	26 694 209

19. Third-party liabilities arising on consolidation of mutual funds

	2021 R000	Restated ¹ 2020 R000
Balance at the beginning of the year	30 293 931	27 350 796
Net capital contributions received or change in effective ownership	2 278 062	1 873 851
Fair value adjustment to third-party liabilities	5 656 937	1 069 284
Disposal of subsidiaries (refer to note 35.4)	(2 243 440)	-
Balance at the end of the year	35 985 490	30 293 931
Current portion	35 985 490	30 293 931
Non-current portion	-	-
	35 985 490	30 293 931

¹ The comparative figures were restated, refer to note 38 for details of the restatement.

These mutual fund liabilities relate to certain collective investment schemes which have been classified as investments in subsidiaries – refer to Annexure B. Consequently, fund interests not held by the group are classified as third-party liabilities as they represent demand deposit liabilities measured at fair value. A maturity analysis is not possible as it is dependent on external unitholders' behaviour outside of the group's control.

The group's own credit risk is not applicable in the measurement of these liabilities, as these liabilities are specifically referenced to assets and liabilities contained in separate legal structures that could not be attached in the event of a group entity holding the controlling units defaulting.

Notes to the group financial statements

for the year ended 28 February 2021

20. Trade and other payables

	2021 R000	2020 R000
Trade payables	587 235	524 192
Contracts for difference (i)	16 100	28 341
Deferred revenue	17 804	17 675
Purchase consideration payable (ii)	49 036	59 185
VAT payable	28 482	22 069
Unallocated premiums	116 639	83 957
Short-term claim creditors	13 693	22 281
Settlement control account (iii)	1 573 829	1 526 000
Amounts due to intermediaries	33 638	21 568
Amounts due to reinsurers	33 946	45 707
Amounts due to policyholders	6 862	5 408
Total trade and other payables¹	2 477 264	2 356 383
Current portion	2 452 676	2 337 055
Non-current portion	24 588	19 328
	2 477 264	2 356 383

¹ Includes non-financial liabilities of R331.2 million (2020: R276.5 million).

(i) Contracts for difference

- The balance represents the margin payable at year-end by the group to clients and accrues interest at SAFEX less 2%.

(ii) Purchase consideration payable

- Relates to balances payable to advisers for books of business acquired during the current and previous financial years, which will be settled in cash on varying dates based on the respective agreements, subject to profit guarantees.
- The amounts payable are interest-free.

(iii) Settlement control account

- Represents the settlement of trades done by clients in the last few days before year-end.
- The settlement to the clients takes place within three days after the transaction date.

21. Deferred acquisition costs and deferred reinsurance acquisition revenue

	2021 R000	2020 R000
Deferred acquisition costs		
Balance at the beginning of the year	6 622	5 685
Movement for the year	1 854	937
Reclassification to assets held for sale (refer to note 12)	(2 855)	-
Balance at the end of the year	5 621	6 622
Deferred reinsurance acquisition revenue		
Balance at the beginning of the year	7 079	4 904
Movement for the year	1 210	2 175
Reclassification to liabilities held for sale (refer to note 12)	(2 973)	-
Balance at the end of the year	5 316	7 079

22. Revenue from contracts with customers and other operating income

	2021 R000	2020 R000
Revenue from contracts with customers		
Commission, administration and other fees ¹		
Commission income	1 557 787	1 488 176
Administration fees	495 862	490 990
Other fees	44 982	46 556
Management and performance fees ²	874 010	917 068
Management fee rebates ³	116 864	109 352
Dealing and structuring (including brokerage) ¹		
Brokerage	245 380	207 258
Offshore brokerage commission	114 158	70 049
Other dealing and structuring income	129 591	107 600
Policy administration fees	89 934	86 585
	3 668 568	3 523 634
Other operating income		
Reinsurance commission income	167 726	136 883
Profit on disposal of investment in subsidiaries (refer to note 35.4)	–	1 558
Profit on disposal of property and equipment	649	1 100
Profit on disposal of intangible assets	984	797
Gain arising from partial or full termination of lease	1 001	–
Income from related parties (refer to note 34)	442	446
Sundry income	23 742	14 383
	194 544	155 167
	3 863 112	3 678 801

¹ In order to provide more relevant and reliable information to the users of the financial statements, the prior year information has been disaggregated.

² Includes management fees and performance fees received from related-party offshore unit trusts and local unit trusts of R543.7 million (2020: R586.0 million). Refer to note 34.

³ Management fee rebates accrue to the collective investment schemes which are consolidated under IFRS 10 – Consolidated Financial Statements.

Refer to note 7 of the segment report for the disaggregation of revenue recognised in accordance with IFRS 15.

Notes to the group financial statements

for the year ended 28 February 2021

23. Investment income

	2021 R000	Restated ¹ 2020 R000
Interest income		
Interest income on amortised cost financial instruments		
Loans and advances	10 779	11 783
Receivables including insurance receivables	6 672	11 865
Contracts for difference – interest received on margin	7 451	14 729
Interest received from related parties (refer to note 34)	433	436
Cash and short-term funds (including money market funds)	48 933	55 224
Debt securities	–	728
Other	231	541
	74 499	95 306
Interest income on fair value through profit or loss financial instruments²		
Equity securities	933	82
Debt securities	498	2 945
Unit-linked investments ³	55 868	32 939
Cash and short-term funds (including money market funds) ³	32 075	99 968
	89 374	135 934
	163 873	231 240
Dividend income²		
Equity securities – at fair value through profit or loss	629	551
Unit-linked investments – at fair value through profit or loss ³	4 282	3 150
	4 911	3 701
Total investment income	168 784	234 941

¹ The comparative figures were restated, refer to note 38 for details of the restatement.

² The interest income on fair value through profit or loss financial instruments and the dividend income are recognised on financial instruments mandatorily at fair value through profit or loss.

³ Includes interest received of R85.8 million (2020: R130.3 million) and dividends received of R4.3 million (2020: R3.2 million) from related-party local investment schemes. Refer to note 34.

R0.8 million interest income (2020: R1.2 million) was earned on impaired financial assets during the year.

24. Net fair value gains and losses on financial instruments

	2021 R000	Restated ¹ 2020 R000
Foreign exchange gains	4 582	4 534
Foreign exchange losses	(8 871)	(2 377)
Fair value adjustment on contingent consideration	6 547	4
Net fair value gains/(losses) on financial assets mandatorily at fair value through profit or loss:		
Unrealised fair value gains/(losses)	44 486	(24 984)
Realised fair value (losses)/gains	(3 652)	6 391
	43 092	(16 432)

¹ The comparative figures were restated, refer to note 38 for details of the restatement.

25. Net income attributable to investment contract holders and third-party liabilities

	2021 R000	Restated ¹ 2020 R000
Investment income ²		
Interest income on amortised cost financial instruments	48 478	50 022
Interest income on fair value through profit or loss financial instruments	1 055 113	1 310 335
Dividend income	722 074	642 906
Net fair value gains and losses		
Net foreign exchange gains/(losses)	156 423	(1 093)
Movement on financial assets measured at amortised cost	-	1 803
Net fair value gains/(losses) on financial assets at fair value through profit or loss	7 888 354	(366 456)
Fair value adjustment to investment contract liabilities	(4 152 721)	(505 539)
Fair value adjustment to third-party liabilities	(5 656 937)	(1 069 284)
	60 784	62 694
The investment income and net fair value gains and losses shown above can be analysed as follows according to their IFRS 9 categorisations:		
Designated at fair value through profit or loss	(9 687 187)	(1 269 424)
Mandatorily at fair value through profit or loss	9 696 621	1 295 011
Amortised cost	51 350	37 107
	60 784	62 694

¹ The comparative figures were restated, refer to note 38 for details of the restatement.

² Includes investment income of R101.7 million (2020: R48.2 million) from related-party local investment schemes. Refer to note 34.

26. Net insurance benefits and claims

	Gross R000	Reinsurance R000	Net R000
2021			
Short-term insurance contracts			
Claims paid	887 529	(284 027)	603 502
Movement in the expected cost of outstanding claims	160 237	(122 217)	38 020
Salvages	(36 133)	16 117	(20 016)
Individual life long-term insurance contracts – death, maturity, surrender, sick leave benefits and transfers to policyholder liabilities			
Insurance policy benefits paid	2 625	-	2 625
Movement to insurance policy liabilities	(2 417)	-	(2 417)
Total claims and loss adjustment expenses	1 011 841	(390 127)	621 714
2020			
Short-term insurance contracts			
Claims paid	930 264	(279 991)	650 273
Movement in the expected cost of outstanding claims	47 638	(17 250)	30 388
Salvages	(38 664)	17 283	(21 381)
Individual life long-term insurance contracts – death, maturity, surrender, sick leave benefits and transfers to policyholder liabilities			
Insurance policy benefits paid	2 856	-	2 856
Movement to insurance policy liabilities	1 196	-	1 196
Total claims and loss adjustment expenses	943 290	(279 958)	663 332

Notes to the group financial statements

for the year ended 28 February 2021

27. Expenses (excluding net insurance benefits and claims)

	2021 R000	2020 R000
27.1 Commission paid		
Commission and advice fees paid to brokers and financial planners	1 562 543	1 509 684
27.2 Depreciation and amortisation		
Depreciation	100 939	85 887
Motor vehicles	194	190
Office equipment	18 328	15 846
Computer equipment	19 993	17 916
Right-of-use assets	62 424	51 935
Amortisation of intangible assets	66 121	58 180
Customer relationships	64 101	55 135
Other	2 020	3 045
	167 060	144 067
27.3 Employee benefit expenses		
Salaries, wages, allowances and terminations	907 503	858 000
Social security costs (e.g. Unemployment Insurance Fund, group life, skills development levy, medical benefits, national insurance)	68 864	67 686
Equity-settled share-based payment costs	33 827	26 306
Pension/provident costs – defined contribution plans	64 479	58 410
	1 074 673	1 010 402
27.4 Marketing, administration and other expenses		
Lease expenses	11 825	21 108
Lease expense in respect of short-term leases	11 163	20 344
Lease expense in respect of low-value items	662	764
Auditor's remuneration	14 819	17 513
Audit services – current year	14 324	15 206
Audit services – prior year	(335)	994
Tax services	441	487
Other services	389	826
Management fees paid	236 143	182 827
Marketing expenses	35 249	56 029
Professional fees	22 584	33 243
Other administration expenses	380 556	357 742
JSE and STRATE expenses	46 588	48 543
Research and administration systems	56 191	52 998
IT expenses	90 445	87 312
Office expenses	37 174	39 986
Telephone expenses	13 336	14 748
Travel expenses	4 877	26 259
Donations	12 414	2 610
Other expenses	119 531	85 286
Impairment/reversal of impairment of financial and insurance assets	12 625	10 125
Loss on disposal of property and equipment	363	601
Loss on disposal of intangible assets	43	-
Loss arising from partial or full termination of lease	7	-
	714 214	679 188

Refer to the report of the board of directors for detail of directors' remuneration on pages 109 and 110.

28. Finance costs

	2021 R000	2020 R000
Contracts for difference – interest paid on margin	5 151	11 766
Investment contract liabilities at amortised cost	-	1 803
Lease liabilities	30 946	25 399
Other borrowings	2 355	6 335
	38 452	45 303

29. Taxation

	2021 R000	2020 R000
Current taxation		
Current year	285 941	273 623
Prior year	(1 381)	553
	284 560	274 176
Deferred taxation		
Current year	12 954	9 293
Prior year	(839)	801
	12 115	10 094
Foreign current taxation		
Current year	5 080	4 704
	5 080	4 704
Foreign deferred taxation		
Current year	367	8 079
	367	8 079
Total income statement charge	302 122	297 053

	2021 %	2020 %
Reconciliation of effective rate of taxation		
South African normal taxation rate	28.0	28.0
Adjusted for:		
Non-taxable income ¹	(2.2)	(2.2)
Capital gains tax differential in rates	-	0.1
Non-deductible charges ²	1.0	1.0
Prior year (over-provision)/under-provision	(0.1)	0.2
Deferred tax assets not recognised for tax losses	(0.1)	0.9
Foreign tax rate differential	(0.8)	(1.1)
Dividend withholding tax	0.1	0.1
Tax in policyholder funds	3.4	3.6
Tax deductible expenses not accounted for in income statement	(1.1)	(0.9)
Portfolio transfer between tax authorities	-	(0.1)
Effective rate of taxation	28.2	29.6

¹ Non-taxable income relates primarily to dividend income, unrealised fair value gains and the non-taxable portion of the returns generated by PSG Life Limited.

² Amortisation on customer relationships is the major contributor to the non-deductible charges.

Notes to the group financial statements

for the year ended 28 February 2021

29. Taxation (continued)

	2021 R000	2020 R000
Unutilised tax losses		
Gross calculated tax losses at the end of the year available for utilisation against future taxable income	11 027	21 721
Deferred income tax asset provided on	(7 798)	(10 217)
Available for future utilisation	3 229	11 504
The tax impact relating to components of other comprehensive income is as follows:		
<i>Before tax</i>		
Currency translation adjustments	1 650	10 998
<i>After tax</i>		
Currency translation adjustments	1 650	10 998
Other comprehensive income for the year, net of tax	1 650	10 998

The total deferred income tax, recognised in equity, relating to share-based payment transactions, was a debit of R38.5 million on 28 February 2021 (29 February 2020: debit of R36.0 million).

30. Earnings per share

	2021 R000	2020 R000
The calculations of earnings per share is based on the following:		
Profit attributable to ordinary shareholders	697 690	646 957
<i>Non-headline earnings (net of non-controlling interest and related tax effect):</i>		
Profit on disposal of intangible assets (including goodwill)	(859)	(602)
Gross amount	(941)	(797)
Non-controlling interest	-	68
Tax effect	82	127
Profit on disposal of property and equipment	(196)	(389)
Gross amount	(286)	(499)
Non-controlling interest	4	14
Tax effect	86	96
Profit on disposal of investment in subsidiaries	-	(1 558)
Gross amount	-	(1 558)
Non-controlling interest	-	-
Tax effect	-	-
Headline earnings	696 635	644 408

30. Earnings per share (continued)

The weighted average number of shares and diluted weighted average number of shares were calculated as follows:

	2021 Number of shares 000	2020 Number of shares 000
Number of shares at the beginning of the year	1 356 923	1 364 885
Weighted number of shares issued/repurchased and cancelled during the year	(3 601)	(1 228)
Net impact of treasury shares	(18 748)	(22 732)
Weighted number of shares at the end of the year	1 334 574	1 340 925
Number of bonus element shares to be issued in terms of share option scheme	596	5 249
Diluted weighted number of shares at the end of the year	1 335 170	1 346 174
	2021 R000	2020 R000
Basic		
Profit attributable to ordinary shareholders	697 690	646 957
Headline earnings	696 635	644 408
Weighted average number of ordinary shares in issue (000)	1 334 574	1 340 925
Attributable earnings per share (cents)	52.3	48.2
Headline earnings per share (cents)	52.2	48.1
Net asset value per share (cents)	272.3	247.0
Tangible net asset value per share (cents) ¹	177.6	161.5
Diluted		
Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares (arising from the share incentive schemes set out in note 14). A calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the volume-weighted average annual JSE-listed share price of the company's shares) based on the monetary value of the equity-settled share options granted to participants.		
Profit attributable to ordinary shareholders	697 690	646 957
Headline earnings	696 635	644 408
Diluted weighted average number of ordinary shares in issue (000)	1 335 170	1 346 174
Diluted attributable earnings per share (cents)	52.3	48.1
Diluted headline earnings per share (cents)	52.2	47.9

¹ The tangible net asset value excludes intangible assets.

Notes to the group financial statements

for the year ended 28 February 2021

31. Dividend per share

	2021 R000	2020 R000
Normal dividend	307 781	282 728

Interim

8.0 cents per share (2020: 7.5 cents per share)

Final

16.5 cents per share (2020: 15.0 cents per share)

Dividends are not accounted for until they have been approved by the company's board of directors.

32. Capital commitments and contingencies

The group had the following capital commitments and contingencies as at 28 February 2021:

- PSG Konsult Limited has issued letters of support, in the ordinary course of business, for the activities of certain subsidiaries in the group.
- The group, like all other financial services groups in South Africa, is subject to litigation in the normal course of its business. Appropriate provisions are made when losses are expected to materialise. There are no legal or arbitration proceedings (including any such proceedings that are pending or threatened) of which the group is aware, which may have, or have during the previous 12 months, had a material effect on the financial position of the group.

33. Borrowing powers

In terms of the company's MOI, borrowing powers are unlimited. The amount of borrowings as at 28 February 2021 is Rnil (29 February 2020: Rnil).

34. Related-party transactions

PSG Konsult Limited, its subsidiaries and joint ventures enter into various financial services transactions with members of the PSG Group and PSG Konsult Limited Group. These transactions include a range of investment, administrative, advisory and corporate services in the normal course of business. All intergroup transactions have been eliminated on consolidation.

The related-party transactions are similar to those disclosed in the prior financial year.

Related-party balances	2021 R000	2020 R000
Receivables including insurance receivables		
Due from companies in the PSG Konsult Limited Group		
PSG Konsult Employee Trust	38	7
Jan Jonker Property Investment Trust	6 770	6 059
Due from PSG unit trusts		
Local unit trusts	53 759	54 968
Offshore unit trusts	29 408	18 580
	89 975	79 614
Refer to note 11 for the detail of the receivables due from related parties.		
Trade and other payables		
Due to companies in the PSG Group		
PSG Corporate Services Proprietary Limited	24	-
Due to PSG unit trusts		
Local unit trusts	6 639	5 630
Offshore unit trusts	6 850	4 823
	13 513	10 453
Debt securities		
Investments in the debt securities of companies in the PSG Group		
Capitec Bank Limited ¹	-	104 631
Unit-linked investments		
Investments in PSG unit trusts		
Unit trusts	25 045 969	20 724 809

¹ Since August 2020, Capitec Bank Limited is no longer considered a related party due to the PSG Group unbundling.

Notes to the group financial statements

for the year ended 28 February 2021

34. Related-party transactions (continued)

Related-party transactions	2021 R000	Restated ¹ 2020 R000
Revenue from contracts with customers and other operating income		
Received from companies in the PSG Group		
PSG Corporate Services Proprietary Limited	266	266
Capitec Bank Holdings Limited Group ²	176	180
Received from PSG unit trusts		
Local unit trusts	320 773	421 247
Offshore unit trusts	222 919	164 741
	544 134	586 434
Interest income		
Received from companies in the PSG Konsult Limited Group		
Jan Jonker Property Investment Trust	433	436
Received from PSG unit trusts		
Local unit trusts (including money market funds)	85 818	130 250
	86 251	130 686
Dividend income		
Received from PSG unit trusts		
Local unit trusts	4 282	3 150
Net income attributable to investment contract holders and third-party liabilities		
Received from companies in the PSG Group		
Capitec Bank Limited ²	2 101	10 129
Received from PSG unit trusts		
Local unit trusts ³	349 030	312 418
	351 131	322 547
Commission paid		
Paid to companies in the PSG Group		
PSG Corporate Services Proprietary Limited	301	301
Marketing, administration and other expenses		
Paid to companies in the PSG Group		
PSG Capital Proprietary Limited	707	1 055
Grayston Elliot Proprietary Limited	40	307
Paid to PSG unit trusts		
Local unit trusts	17 134	15 645
Offshore unit trusts	25 792	12 232
	43 673	29 239

¹ The comparative figures were restated, refer to note 38 for details of the restatement.

² Since August 2020, the Capitec Bank Holdings Limited Group and Capitec Bank Limited are no longer considered related parties due to the PSG Group unbundling, therefore transactions after this date have not been included.

³ The net income attributable to investment contract holders and third-party liabilities received from local unit trusts includes interest and dividend income.

The shareholding of directors and the directors' remuneration is set out in the report of the board of directors on pages 109 to 111.

34. Related-party transactions (continued)

Key management

Key management refers to those persons who have authority and responsibility for planning, directing and controlling the activities of the group. Key management is considered to be the board of directors and the prescribed officers. For the detail of the audited directors' and prescribed officers' remuneration, refer to the report of the board of directors on pages 109 and 110.

During the 2013 financial year, preference share funding of R61.3 million was advanced to a related-party of Mr FJ Gouws, CEO of PSG Konsult, by a subsidiary of PSG Group Limited. The proceeds from the preference share funding were utilised to acquire 35 million shares in PSG Konsult Limited (the PSG Konsult shares). During the 2020 financial year, the repayment term of the preference share funding was extended for a further three years. The preference share funding is therefore repayable after 10 years, carrying a fixed dividend rate of 8.5%, and the PSG Konsult shares serve as security. At the redemption date, should the market value of the PSG Konsult shares be less than the preference share funding redemption amount, the counterparty has an option to put the PSG Konsult shares to PSG Group Limited at an amount equal to the preference share funding redemption amount. The value of the remaining 27.5 million PSG Konsult shares that serve as security amounted to R247.2 million at 28 February 2021 (29 February 2020: 31.0 million PSG Konsult shares amounting to R244.9 million). The outstanding loan balance amounted to R0.9 million at 28 February 2021 (29 February 2020: R27.8 million).

During the 2019 financial year, a non-executive director, Mr ZL Combi, obtained a margin facility loan on the standard terms which the group makes available to PSG Securities clients. As at 28 February 2021 the loan value was R0.001 million (29 February 2020: R1.9 million), with an effective interest rate of 7.0% (2020: 9.8%).

During the prior financial year, an entity associated with Mr CA Otto, a non-executive director of PSG Group Limited, obtained a margin facility loan on the standard terms which the group makes available to PSG Securities clients. As at 28 February 2021 the loan value was Rnil (29 February 2020: R13.8 million) with an effective interest rate of 9.8%.

35. Notes to the statement of cash flows

	2021 R000	Restated ¹ 2020 R000
35.1 Cash utilised in operations		
Profit before finance costs and taxation	1 109 879	1 049 917
<i>Adjustment for non-cash items and other:</i>		
Depreciation of property and equipment and right-of-use assets	100 939	85 887
Impairment charges	12 625	10 125
Amortisation of intangible assets	66 121	58 180
Interest income	(163 873)	(231 240)
Dividend income	(4 911)	(3 701)
Share of losses of joint ventures	59	420
Profit on disposal of investment in subsidiaries	-	(1 558)
Profit on disposal of property and equipment	(649)	(1 100)
Profit on disposal of intangible assets	(984)	(797)
Gain arising from partial or full termination of lease	(1 001)	-
Loss on disposal of intangible assets	43	-
Loss on disposal of property and equipment	363	601
Loss arising from partial or full termination of lease	7	-
Net fair value (gains)/losses on financial instruments	(47 381)	18 589
Net income attributable to investment contract holders and third-party liabilities	(60 784)	(62 694)
Equity-settled share-based payment costs	33 827	26 306
Net foreign exchange losses/(gains)	3 531	(16 226)
	1 047 811	932 709
<i>Changes in working capital</i>		
Receivables including insurance receivables	(152 271)	(419 415)
Reinsurance assets	(126 247)	(23 545)
Deferred acquisition costs	(1 854)	(937)
Deferred reinsurance acquisition revenue	1 210	2 175
Loans and advances	(29 728)	(10 773)
Trade and other payables	150 829	253 628
Other financial instruments	(3 505 342)	(3 627 306)
Third-party liabilities arising on consolidation of mutual funds	2 278 062	1 633 515
Borrowings	-	(9 362)
Insurance contracts	132 944	12 383
	(204 586)	(1 256 928)

¹ The comparative figures were restated, refer to note 38 for details of the restatement.

Notes to the group financial statements

for the year ended 28 February 2021

35. Notes to the statement of cash flows (continued)

	2021 R000	2020 R000
35.2 Taxation paid		
Charge to profit or loss	(302 122)	(297 053)
Movement in deferred taxation	12 482	18 173
Charge to other reserves	(3 427)	9 565
Reclassified to assets and liabilities held for sale	22	-
Disposal of investment in subsidiaries	-	(22)
Movement in net taxation asset/liability	(9 382)	9 857
	(302 427)	(259 480)

	Bank loans R000	DMTN programme R000	Other short-term loans R000	Total R000
35.3 Reconciliation of movement in liabilities to the statement of cash flows				
Carrying value at 1 March 2019	9 362	101 227	1 725	112 314
Cash flows – advance of borrowings	-	-	570	570
Cash flows – repayment of borrowings ¹	(9 362)	(105 452)	-	(114 814)
Disposal of investment in subsidiaries	-	-	(2 295)	(2 295)
Other non-cash movements	-	4 225	-	4 225
Carrying value at 29 February 2020	-	-	-	-
Cash flows relating to financing activities	-	(100 000)	570	(99 430)
Cash flows relating to operating activities	(9 362)	(5 452)	-	(14 814)
	(9 362)	(105 452)	570	(114 244)

¹ Includes the capital repaid and the interest payments.

There were no movements in the borrowings during the 2021 financial year.

35. Notes to the statement of cash flows (continued)

35.4 Disposal of subsidiaries

For the year ended 28 February 2021

i) Disposal of collective investment schemes

The group deconsolidated the PSG Wealth Global Preserver Feeder Fund and the PSG Diversified Income Fund during the 2021 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 Wealth Global Preserver Feeder Fund R000	PSG Diversified Income Fund R000	Total R000
Debt securities	-	1 404 553	1 404 553
Unit-linked investments	1 262 117	-	1 262 117
Equity securities	-	119 901	119 901
Receivables including insurance receivables	757	2 854	3 611
Cash and cash equivalents (including money market funds)	58 100	203 538	261 638
Third-party liabilities arising on consolidation of mutual funds	(996 778)	(1 246 662)	(2 243 440)
Trade and other payables	(544)	(18 451)	(18 995)
Net asset value	323 652	465 733	789 385
Transfer to unit-linked investments	(323 652)	(465 733)	(789 385)
Cash consideration received	-	-	-
Cash and cash equivalents given up	(58 100)	(203 538)	(261 638)
Net cash outflow in the 2021 financial year	(58 100)	(203 538)	(261 638)

Summary of cash flows for the year ending 28 February 2021

i) Disposal of collective investment schemes

- PSG Wealth Global Preserver Feeder Fund
- PSG Diversified Income Fund

Net cash flow from disposal of subsidiaries

2021
R000

(58 100)

(203 538)

(261 638)

For the year ended 29 February 2020

i) Disposal of 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 during the 2020 financial year. 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.

Notes to the group financial statements

for the year ended 28 February 2021

35. Notes to the statement of cash flows (continued)

35.5 Other acquisitions

For the year ended 28 February 2021

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

The consideration was paid with the issue of PSG Konsult shares (5 million shares at an average of R7.35 per share) and a cash consideration of R70.6 million on the effective date. The transaction did not qualify for accounting in terms of IFRS 3 – Business Combinations as the assets acquired (the right to an increased share in the income stream of the adviser) did not constitute a business acquired.

These transactions contributed R2.4 million to our headline earnings during the year ended 28 February 2021, net of amortisation cost of R4.2 million.

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 total 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.

	2021 R000	2020 R000
35.6 Cash and equivalents at the end of the year		
Cash and cash equivalents (including money market funds)	1 603 624	1 073 653
Cash and cash equivalents classified as assets held for sale	13 724	–
	1 617 348	1 073 653

36. 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 consolidated financial statements.

37. Risk management

Risk management is a priority because it affects every part of the business. It is a pre-emptive process that allows the group to assess and analyse risk in an integrated fashion, identifying potential areas in advance and then proactively create processes and measures for compliance. PSG Konsult believes that risk management is key in ensuring the sustainability of the business model.

Fundamentally, the board of directors' responsibility in managing risk is to protect the interests of all of the group's stakeholders, being the shareholders, policyholders, employees, regulatory bodies and related parties, while increasing shareholder value. It fully accepts responsibility for risk management and internal controls, and in so doing the board of directors has deployed a number of control mechanisms to prevent and mitigate the potential impact of risk.

The primary responsibility for risk management at an operational level rests with the Exco. Management and various specialist board committees are tasked with integrating the management of risk into the day-to-day activities of the group. The group defines the roles, responsibility and accountability for managing, reporting and escalating risks and issues throughout the group by applying the three layers of defence approach. This approach incorporates the oversight, management and assurance of risk management, essentially giving three independent views of risk in the organisation.

The group is continuously enhancing its risk management capabilities, particularly in line with the Prudential Authority requirements. Its framework, policies and support processes are regularly updated to reflect these enhancements.

Financial instruments and insurance assets and liabilities are grouped into classes in order to facilitate effective financial risk management and disclosure in terms of IFRS 7 – Financial Instruments: Disclosures and IFRS 13 – Fair Value Measurement. Refer to the following pages for further detail.

37. Risk management (continued)

Financial risk management

Assets	2021			2020		
	Own balances R000	Client- related balances R000	Total R000	Own balances R000	Client- related balances R000	Total R000
Financial instruments carried at fair value through profit or loss						
Equity securities	31 650	2 545 650	2 577 300	20 173	2 209 301	2 229 474
Quoted	30 509	2 537 829	2 568 338	18 853	2 200 494	2 219 347
Unquoted	1 141	7 821	8 962	1 320	8 807	10 127
Debt securities	15 429	1 704 600	1 720 029	52 372	2 917 588	2 969 960
Government debt securities – quoted	15 429	1 210 540	1 225 969	15 869	514 332	530 201
Other debt securities – quoted	-	494 060	494 060	36 503	2 403 256	2 439 759
Unit-linked investments	1 713 628	60 077 319	61 790 947	677 147	49 721 703	50 398 850
Collective investment schemes	1 684 631	59 888 767	61 573 398	651 002	49 448 130	50 099 132
Other unit-linked investments	28 997	188 552	217 549	26 145	273 573	299 718
Investment in investment contracts	-	14 402	14 402	-	15 587	15 587
Derivative financial instruments	-	12 284	12 284	-	23 131	23 131
Cash and cash equivalents ¹	684 625	(684 625)	-	1 546 645	(1 546 645)	-
Designated						
Debt securities	-	2 127 608	2 127 608	-	3 242 440	3 242 440
Government debt securities – quoted	-	1 305 495	1 305 495	-	427 779	427 779
Other debt securities – quoted	-	822 113	822 113	-	2 814 661	2 814 661
Financial instruments carried at amortised cost						
Loans and advances ²	166 911	-	166 911	138 012	-	138 012
Secured	120 950	-	120 950	97 215	-	97 215
Unsecured	45 961	-	45 961	40 797	-	40 797
Receivables including insurance receivables ²	198 315	1 872 694	2 071 009	195 147	1 740 343	1 935 490
Trade receivables	103 276	242 597	345 873	110 050	71 192	181 242
Brokers and clearing houses and client accounts	-	1 614 054	1 614 054	-	1 625 666	1 625 666
Contracts for difference	-	16 043	16 043	-	43 485	43 485
Receivables due from related parties	89 975	-	89 975	79 614	-	79 614
Rental and other deposits and sundry debtors	5 064	-	5 064	5 483	-	5 483
Cash and cash equivalents ²	913 732	689 892	1 603 624	773 230	300 423	1 073 653
Insurance assets						
Reinsurance assets ²	234 127	-	234 127	127 303	-	127 303
Deferred acquisition costs ²	5 621	-	5 621	6 622	-	6 622
Receivables including insurance receivables ²	109 387	-	109 387	112 487	-	112 487
Receivables due from contract holders and reinsurers	109 387	-	109 387	112 487	-	112 487
Total financial and insurance assets	4 073 425	68 359 824	72 433 249	3 649 138	58 623 871	62 273 009

¹ The investment in the PSG Money Market Fund was classified at fair value through profit or loss on adoption of IFRS 9. The client-related balances include the impact of the consolidation of the PSG Money Market Fund.

² Carrying value approximates fair value.

Notes to the group financial statements

for the year ended 28 February 2021

37. Risk management (continued)

Financial risk management (continued)

	2021			2020		
	Own balances R000	Client- related balances R000	Total R000	Own balances R000	Client- related balances R000	Total R000
Liabilities						
Financial liabilities carried at fair value through profit or loss						
Derivative financial instruments	-	15 330	15 330	-	30 406	30 406
Trade and other payables	49 036	-	49 036	59 185	-	59 185
Purchase consideration payable	49 036	-	49 036	59 185	-	59 185
Designated						
Investment contracts	-	30 719 905	30 719 905	-	26 694 209	26 694 209
Third-party liabilities arising on consolidation of mutual funds	-	35 985 490	35 985 490	-	30 293 931	30 293 931
Financial liabilities carried at amortised cost						
Lease liabilities	277 780	-	277 780	304 964	-	304 964
Trade and other payables ¹	412 443	1 616 988	2 029 431	357 883	1 595 548	1 953 431
Trade payables, settlement control account and other payables	412 443	1 600 888	2 013 331	357 883	1 567 207	1 925 090
Contracts for difference	-	16 100	16 100	-	28 341	28 341
Insurance liabilities						
Insurance contracts	652 774	-	652 774	554 469	-	554 469
Deferred reinsurance acquisition revenue ¹	5 316	-	5 316	7 079	-	7 079
Trade and other payables ¹	67 584	-	67 584	67 275	-	67 275
Amounts due to intermediaries	33 638	-	33 638	21 568	-	21 568
Amounts due to reinsurers	33 946	-	33 946	45 707	-	45 707
Total financial and insurance liabilities	1 464 933	68 337 713	69 802 646	1 350 855	58 614 094	59 964 949

¹ Carrying value approximates fair value.

37. Risk management (continued)

Financial risk management (continued)

The group's activities expose it to a variety of financial risks: market risk (including price risk, foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

In addition to the shareholder asset and liability balances, known as 'own balances', the group has client-related assets and liabilities relating to the following stakeholders:

Policyholders of the linked investment contracts

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). Investment contracts included within financial liabilities on the statement of financial position are therefore fully matched by investments as analysed in note 18.

Third-party mutual fund investors

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 and statement of financial position impact as part of that of the group.

CFD clients

The group enters into CFD with clients whereby the group provides leveraged exposure to equities specified by the clients. The holders of the CFD carry the financial risk of these instruments and therefore a movement in the individual share prices, for example, would not have an impact on the group's profit after taxation, but would result in a corresponding movement in the value of the CFD liabilities.

Stockbroking clients

Included under receivables are broker and clearing accounts at the stockbroking business which 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 trade and other payables, with the settlement to the clients taking place within three days after the transaction date.

The financial risks arising from the client-related assets and liabilities are assumed by the respective stakeholders and therefore do not have a direct impact on the group's profit after taxation. The movement in client-related balances will indirectly impact the fee which PSG Konsult receives for managing and administering assets on behalf of clients. This impact has been taken into consideration in the respective sensitivities performed.

Notes to the group financial statements

for the year ended 28 February 2021

37. Risk management (continued)

Financial risk management (continued)

Market 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 equity prices, foreign currency exchange rates and interest rates.

Summary of assets and liabilities subject to market risk	2021 R000	2020 R000
Assets		
Price risk	64 368 247	52 628 324
Equity securities	2 577 300	2 229 474
Unit-linked investments	61 790 947	50 398 850
Foreign exchange risk	16 906 350	13 542 331
Equity securities	885 000	847 696
Unit-linked investments	15 644 681	12 447 616
Investment in investment contracts	14 401	-
Loans and advances	-	3 922
Reinsurance assets	-	15 904
Receivables including insurance receivables	251 139	72 592
Cash and cash equivalents	111 129	154 601
Interest rate risk	69 589 515	59 870 892
Debt securities	3 847 637	6 212 400
Unit-linked investments	61 790 947	50 398 850
Loans and advances	166 911	138 012
Receivables including insurance receivables	2 180 396	2 047 977
Cash and cash equivalents	1 603 624	1 073 653
Liabilities		
Price risk	(62 426 596)	(51 931 004)
Investment contracts	(30 154 029)	(26 277 141)
Third-party liabilities arising on consolidation of mutual funds	(32 272 567)	(25 653 863)
Foreign exchange risk	(16 767 860)	(13 400 581)
Borrowings	-	(3 891)
Lease liabilities	(2 440)	(294)
Insurance contracts	-	(29 018)
Investment contracts	(5 998 701)	(4 438 026)
Third-party liabilities arising on consolidation of mutual funds	(10 765 010)	(8 910 230)
Trade and other payables	(1 709)	(19 122)
Interest rate risk	(66 569 174)	(57 148 107)
Lease liabilities	(277 780)	(304 964)
Investment contracts	(28 159 853)	(24 581 683)
Third-party liabilities arising on consolidation of mutual funds	(35 985 490)	(30 181 569)
Trade and other payables	(2 146 051)	(2 079 891)

Risk management

Refer to page 89 for the mitigating controls put in place as part of the risk management framework to address market risk.

37. Risk management (continued)

Financial risk management (continued)

Market risk (continued)

Price risk

Equity securities

The group is exposed to price risk due to changes in the market values of its equity securities held by the group and classified on the consolidated statement of financial position at fair value through profit or loss.

Although the group follows a policy of diversification, some concentration of price risk towards certain sectors exists and is analysed below:

Composition of quoted equity securities	Investments linked to investment contracts		Direct investments – consolidated collective investment schemes		Direct investments – own balances	
	2021 R000	2020 R000	2021 R000	2020 R000	2021 R000	2020 R000
Agriculture, travel and leisure and other sectors	20 672	54 756	–	8 787	571	–
Banks, financial services and insurance	710 130	739 539	–	47 173	9 415	5 871
Healthcare	117 942	88 121	–	–	912	724
Industrial, retail, food and beverage and personal and household goods	412 484	424 166	–	35 142	8 293	6 439
Property, construction and materials	659 419	342 673	–	14 119	1 046	631
Resources, chemicals and oil and gas	227 387	133 082	–	7 141	5 855	2 598
Technology, media and telecommunications	389 795	305 795	–	–	4 417	2 590
	2 537 829	2 088 132	–	112 362	30 509	18 853

Included in the group's quoted equity securities are those equity securities relating to:

- investments linked to investment contracts amounting to R2.5 billion (2020: R2.1 billion); and
- equity securities relating to the consolidated collective investment schemes amounting to Rnil (2020: R112.4 million).

The price risk of these instruments is carried by the policyholders of the linked investment contracts and the third-party mutual fund investors, respectively.

Notes to the group financial statements

for the year ended 28 February 2021

37. Risk management (continued)

Financial risk management (continued)

Market risk (continued)

Price risk (continued)

Unit-linked investments

The group is exposed to price risk due to changes in the market values of the unit-linked investments held by the group and classified on the consolidated statement of financial position at fair value through profit or loss.

Although the group follows a policy of diversification, some concentration of price risk towards certain asset types exists and is analysed below:

Composition of quoted unit-linked investments	Investments linked to investment contracts		Direct investments – consolidated collective investment schemes		Direct investments – own balances	
	2021 R000	2020 R000	2021 R000	2020 R000	2021 R000	2020 R000
Equity	8 200 656	6 144 287	13 859 810	9 976 977	16 355	9 489
Multi-asset	16 751 368	15 262 836	15 462 834	13 898 632	608 391	530 360
Real estate	132 091	174 054	–	–	–	–
Interest bearing	2 532 085	2 325 452	2 949 923	1 665 892	1 059 885	111 153
	<u>27 616 200</u>	<u>23 906 629</u>	<u>32 272 567</u>	<u>25 541 501</u>	<u>1 684 631</u>	<u>651 002</u>

Included in the group's quoted unit-linked investments are those unit-linked investments relating to:

- investments linked to investment contracts amounting to R27.6 billion (2020: R23.9 billion); and
- unit-linked investments relating to the consolidated collective investment schemes amounting to R32.3 billion (2020: R25.5 billion).

The price risk of these instruments is carried by the policyholders of the linked investment contracts and the third-party mutual fund investors, respectively.

37. Risk management (continued)

Financial risk management (continued)

Market risk (continued)

Price risk (continued)

Sensitivity

The table below summarises the sensitivity of the group's post-tax profit for the year as a result of market price fluctuations. The analysis is based on the assumption that marked-to-market prices increase/decrease by 20% (2020: 20%) taking into account the opposite move of the corresponding linked liability in the case of the linked investment contracts, with all other variables held constant.

	2021 increase R000	2020 increase R000	2021 decrease R000	2020 decrease R000
Impact on post-tax profit and equity:				
Equity securities	5 673	3 981	(5 673)	(3 981)
Unit-linked investments	32 868	26 139	(32 868)	(26 139)
	38 541	30 120	(38 541)	(30 120)

Foreign exchange risk

The group has limited investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Transactions incurred by the group did not lead to a significant foreign exchange risk.

The South African rand is the functional currency of most of the group's subsidiaries. The group's financial assets and liabilities denominated in foreign currency other than the functional currency are analysed according to geographical area in the following table:

At 28 February 2021	British pound sterling R000	United States dollar R000	Euro R000	Other currencies R000	Total R000
Financial assets					
Equity securities ¹	34 129	705 547	75 889	69 435	885 000
Unit-linked investments ¹	-	15 644 681	-	-	15 644 681
Investment in investment contracts ¹	2 462	9 477	2 462	-	14 401
Receivables including insurance receivables	11 105	239 045	807	182	251 139
Cash and cash equivalents	58 000	8 282	44 847	-	111 129
Financial liabilities					
Trade and other payables	(489)	(1)	(1 041)	(178)	(1 709)
Investment contracts	(35 312)	(5 817 286)	(77 918)	(68 185)	(5 998 701)
Third-party liabilities arising on consolidation of mutual funds	-	(10 765 010)	-	-	(10 765 010)
Lease liabilities	-	-	(2 440)	-	(2 440)
	69 895	24 735	42 606	1 254	138 490

¹ Largely linked to policyholder and consolidated collective investment scheme investments and as such do not directly expose the group to foreign currency risk.

Notes to the group financial statements

for the year ended 28 February 2021

37. Risk management (continued)

Financial risk management (continued)

Market risk (continued)

Foreign exchange risk (continued)

At 29 February 2020	British pound sterling R000	United States dollar R000	Euro R000	Other currencies R000	Total R000
Financial assets					
Equity securities ¹	35 014	646 973	97 650	68 059	847 696
Unit-linked investments ¹	–	12 447 616	–	–	12 447 616
Loans and advances	1 665	2 226	–	31	3 922
Reinsurance assets	–	–	–	15 904	15 904
Receivables including insurance receivables	4 077	55 630	2 751	10 134	72 592
Cash and cash equivalents	7 697	75 942	31 273	39 689	154 601
Financial liabilities					
Trade and other payables	(145)	(13 352)	(1 447)	(4 178)	(19 122)
Investment contracts	(25 672)	(4 261 973)	(97 503)	(52 878)	(4 438 026)
Third-party liabilities arising on consolidation of mutual funds	(9 928)	(8 885 135)	(6)	(15 161)	(8 910 230)
Insurance contracts	–	–	–	(29 018)	(29 018)
Lease liabilities	–	–	(294)	–	(294)
Borrowings	(1 665)	(2 226)	–	–	(3 891)
	11 043	65 701	32 424	32 582	141 750

¹ Largely linked to policyholder and consolidated collective investment scheme investments and as such do not directly expose the group to foreign currency risk.

Risk management

Management monitors this exposure and cover is used where appropriate. The group did not take cover on foreign currency transactions and balances during the financial years under review.

Sensitivity

The table below shows the sensitivity of post-tax profits of the group to a 20% (2020: 20%) move in the rand exchange rates. The analysis is based on the assumption that movements in the assets would be offset by a move in the corresponding linked liability in the case of the linked investment contracts, with all other variables held constant.

	2021 20% appreciation R000	2020 20% appreciation R000	2021 20% depreciation R000	2020 20% depreciation R000
Impact on post-tax profit and equity	(25 109)	(21 346)	25 109	21 346

Cash flow and fair value interest rate risk

The group's interest rate risk arises from interest-bearing investments, loans and advances, receivables including insurance receivables, cash and cash equivalents and trade and other payables. Investments issued at variable rates expose the group to cash flow interest rate risk. Investments issued at fixed rates expose the group to fair value interest rate risk. However, where the investments are held to back linked investment contract liabilities, the risk is transferred to the policyholders through the contract terms of the policy.

Short-term insurance liabilities are not directly sensitive to the level of market interest rates as they are undiscounted, contractually non-interest bearing, and short term in nature.

37. Risk management (continued)

Financial risk management (continued)

Market risk (continued)

Cash flow and fair value interest rate risk (continued)

	2021			2020		
	Floating rate R000	Fixed interest and non-interest bearing R000	Carrying value R000	Floating rate R000	Fixed interest and non-interest bearing R000	Carrying value R000
Debt securities ¹	725 008	3 122 629	3 847 637	2 518 180	3 694 220	6 212 400
Unit-linked investments ²	203 185	61 587 762	61 790 947	106 386	50 292 464	50 398 850
Loans and advances	127 606	39 305	166 911	103 602	34 410	138 012
Receivables including insurance receivables ³	108 388	2 072 008	2 180 396	211 340	1 836 637	2 047 977
Cash and cash equivalents	1 413 726	189 898	1 603 624	873 086	200 567	1 073 653
Lease liabilities	–	(277 780)	(277 780)	–	(304 964)	(304 964)
Investment contracts	(31 874)	(28 127 979)	(28 159 853)	(30 570)	(24 551 113)	(24 581 683)
Third-party liabilities arising on consolidation of mutual funds	(39 616)	(35 945 874)	(35 985 490)	(1 098 770)	(29 082 799)	(30 181 569)
Trade and other payables	(16 100)	(2 129 951)	(2 146 051)	(28 341)	(2 051 550)	(2 079 891)
Total	2 490 323	530 018	3 020 341	2 654 913	67 872	2 722 785

¹ Debt securities of R323.2 million (2020: R370.9 million) are linked to policyholder investments, and R3.5 billion (2020: R5.8 billion) of the debt securities relate to the consolidated collective investment schemes and as such do not directly expose the group to interest rate risk.

² Unit-linked investments of R27.8 billion (2020: R24.2 billion) are linked to policyholder investments, and R32.3 billion (2020: R25.5 billion) of the unit-linked investments relate to the consolidated collective investment schemes and as such do not directly expose the group to interest rate risk.

³ Receivables including insurance receivables of R242.6 million (2020: R71.2 million) relate to the consolidated collective investment schemes and as such do not directly expose the group to interest rate risk.

Risk management

The group manages its cash flow interest rate risk by monitoring interest rates on a regular basis.

Sensitivity

Based on simulations performed, the impact on post-tax profit of a 1% (2020: 1%) shift in interest rates is analysed in the following table. The analysis is based on the assumption that movements in the assets would be offset by a move in the corresponding linked liability in the case of the linked investment contracts, with all other variables held constant.

	2021 1% increase R000	2020 1% increase R000	2021 1% decrease R000	2020 1% decrease R000
Impact on post-tax profit and equity	17 930	19 115	(17 930)	(19 115)

Notes to the group financial statements

for the year ended 28 February 2021

37. Risk management (continued)

Financial risk management (continued)

Credit risk

Credit risk arises from the inability or unwillingness of a counterparty to a financial instrument to discharge its contractual obligations. Credit risk comprises default, settlement and migration risk (if credit ratings change).

The table below shows the group's maximum exposure to credit risk by class of asset at the end of each reporting period:

	2021		2020	
	Balance R000	Collateral fair value R000	Balance R000	Collateral fair value R000
Debt securities	3 847 637	-	6 212 400	-
Government debt securities – quoted	2 531 464	-	957 980	-
Other debt securities – quoted	1 316 173	-	5 254 420	-
Investment in investment contracts	14 402	-	15 587	-
Loans and advances	166 911	940	138 012	2 772
Secured	120 950	940	97 215	2 772
Unsecured	45 961	-	40 797	-
Unit-linked investments	61 790 947	-	50 398 850	-
Collective investment schemes	61 573 398	-	50 099 132	-
Other unit-linked investments	217 549	-	299 718	-
Derivative financial instruments	12 284	-	23 131	-
Reinsurance assets	234 127	-	127 303	-
Receivables including insurance receivables	2 180 396	85 576	2 047 977	161 796
Trade receivables	345 873	-	181 242	-
Receivables due from contract holders and reinsurers	109 387	-	112 487	-
Brokers and clearing houses and client accounts	1 614 054	85 576	1 625 666	161 796
Contracts for difference	16 043	-	43 485	-
Receivables due from related parties	89 975	-	79 614	-
Rental and other deposits and sundry debtors	5 064	-	5 483	-
Cash and cash equivalents	1 603 624	-	1 073 653	-
	69 850 328	86 516	60 036 913	164 568

The credit exposure is attributable to:

	2021 R000	2020 R000
Own balances	4 036 154	3 622 343
Client-related balances	65 814 174	56 414 570
	69 850 328	60 036 913

The value of policy benefits on linked business is directly linked to the fair value of the supporting assets and, as such, the group does not assume any credit risk on the linked policyholder assets, although it has a responsibility to manage these assets properly within set mandates.

Debt securities of R323.2 million (2020: R370.9 million), investment in investment contracts of R14.4 million (2020: R15.6 million), unit-linked investments of R27.8 billion (2020: R24.2 billion) and cash and cash equivalents of R31.9 million (2020: R30.6 million) are linked to investment contracts and thus credit risk is carried by the policyholders of the linked investment contracts.

At year-end, R3.5 billion (2020: R5.8 billion) of the debt securities, R32.3 billion (2020: R25.5 billion) of the unit-linked investments and R242.6 million (2020: R71.2 million) of the receivables including insurance receivables relate to the collective investment schemes consolidated in terms of IFRS 10 – Consolidated Financial Statements. The group is exposed to the credit risk of the underlying assets in which the collective investment schemes are invested. The group's exposure to collective investment schemes is classified at fund level and not at the underlying asset level, and although collective investment schemes are not rated, the fund managers of these collective investment schemes are required to invest in assets within the defined parameters stipulated in the fund's mandate. These rules limit the extent to which fund managers can invest in unlisted and/or unrated assets and generally restrict funds to the acquisition of investment grade assets.

37. Risk management (continued)

Financial risk management (continued)

Credit risk (continued)

Risk management

Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions. In the case of loans and advances, management would take or insist on collateral or other forms of securitisation as it deems fit. Credit limits for each counterparty, are set based on default probabilities that are, in turn, based on the ratings of the counterparty concerned.

The shareholders' capital in PSG Life Limited and Western Group is primarily invested in cash or other highly liquid unit trust investments. All items that expose PSG Life Limited and Western Group to credit risk are monitored by the credit committee. The credit committee reviews on a monthly basis the exposure of the group to external parties. As part of this meeting, a credit specialist reports to the committee whether any new information has become available in the market which indicates that the group should reconsider its exposure to that counterparty. As at February for each of the respective financial years, this committee did not note any significant concerns as to the exposure that this group has to any counterparties.

Refer to page 89 for the mitigating controls put in place as part of the risk management framework to address credit risk.

Security/collateral

For some assets, the group may obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

Loans and advances

The collateral held for the loans to short-term insurance clients by Hi-Five Corporate Finance Proprietary Limited, a subsidiary of Western Group Holdings Limited, is held in the form of warranties and guarantees. The loans to financial advisers are secured by the cession and pledge of the revenue generated by the adviser from their book of business. The security is valued by applying a market-related factor to the adviser's share of the revenue from the book of business. Refer to note 8 for more detail.

Brokers and clearing houses and client accounts

PSG Scriptfin provides facilities to qualifying retail clients (following a rigorous credit check process) based on the value of their share portfolios at PSG Securities. The balance outstanding as at 28 February 2021 is R85.6 million (29 February 2020: R161.8 million). The balance is secured by the underlying JSE Top 100 equity securities held, which are in excess of four times the value of the loan facilities.

Credit quality

The credit quality of financial assets is assessed by reference to Moody's external credit ratings (if available) or to historical information about counterparty default rates. Financial assets which fall outside Moody's published rates or are rated by other external rating agencies are classified as 'other rated assets'. The definitions regarding the various ratings are available on the relevant websites of the credit rating agencies (i.e. Moody's, Fitch, S&P and GCR).

	2021 R000	2020 R000
Government stock ¹	2 531 464	957 980
Aaa	12 066	21 538
Aa1	10 093	1 558
A1	1 195	-
P1	2 791 068	6 008 896
P3	-	3 816
Other rated assets	342 093	340 985
Non-rated assets	2 371 402	2 303 290
Unit-linked investments (including collective investment schemes)	61 790 947	50 398 850
	69 850 328	60 036 913

¹ The government stock relates to instruments issued by the South African government, which have a Moody's short-term rating of NP at 28 February 2021 (29 February 2020: P3).

The credit risk associated with 50.7% (2020: 45.9%) of non-rated assets and unit-linked investments (including collective investment schemes) is assessed by reference to the investment mandates of linked policyholder investments which specify what type of underlying investments can be purchased.

Notes to the group financial statements

for the year ended 28 February 2021

37. Risk management (continued)

Financial risk management (continued)

Credit risk (continued)

Credit quality (continued)

The table below analyses the group's external credit rating by class of asset:

2021	Government stock ¹ R000	Aaa R000	Aa1 R000	A1 R000
Debt securities	2 531 464	10 993	10 093	-
Government ¹	2 531 464	-	-	-
Bank	-	-	-	-
Other	-	10 993	10 093	-
Investment in investment contracts	-	-	-	-
Loans and advances	-	-	-	-
Secured	-	-	-	-
Unsecured	-	-	-	-
Derivative financial instruments	-	-	-	-
Reinsurance assets	-	-	-	-
Receivables including insurance receivables	-	1 073	-	1 195
Trade receivables	-	1 073	-	1 195
Receivables due from contract holders and reinsurers	-	-	-	-
Brokers and clearing houses and client accounts	-	-	-	-
Contracts for difference	-	-	-	-
Receivables due from related parties	-	-	-	-
Rental and other deposits and sundry debtors	-	-	-	-
Unit-linked investments	-	-	-	-
Collective investment schemes	-	-	-	-
Other unit-linked investments	-	-	-	-
Cash and cash equivalents	-	-	-	-
	2 531 464	12 066	10 093	1 195

¹ The government debt securities relate to instruments issued by the South African government, which have a Moody's short-term rating of NP at 28 February 2021.

² Refer to pages 188 and 189 for further detail on the 'other rated' and 'non-rated' assets.

External credit rating					
P1 R000	P3 R000	Unit-linked (including CIS) R000	Other rated assets ² R000	Non-rated assets ² R000	Total R000
1 226 090	-	-	68 997	-	3 847 637
-	-	-	-	-	2 531 464
1 219 080	-	-	37 712	-	1 256 792
7 010	-	-	31 285	-	59 381
-	-	-	-	14 402	14 402
-	-	-	-	166 911	166 911
-	-	-	-	120 950	120 950
-	-	-	-	45 961	45 961
-	-	-	-	12 284	12 284
-	-	-	228 872	5 255	234 127
-	-	-	27 348	2 150 780	2 180 396
-	-	-	11 496	332 109	345 873
-	-	-	15 852	93 535	109 387
-	-	-	-	1 614 054	1 614 054
-	-	-	-	16 043	16 043
-	-	-	-	89 975	89 975
-	-	-	-	5 064	5 064
-	-	61 790 947	-	-	61 790 947
-	-	61 573 398	-	-	61 573 398
-	-	217 549	-	-	217 549
1 564 978	-	-	16 876	21 770	1 603 624
2 791 068	-	61 790 947	342 093	2 371 402	69 850 328

Notes to the group financial statements

for the year ended 28 February 2021

37. Risk management (continued)

Financial risk management (continued)

Credit risk (continued)

Credit quality (continued)

The table below analyses the group's external credit rating by class of asset:

2020	Government stock ¹ R000	Aaa R000	Aa1 R000	A1 R000
Debt securities	957 980	21 538	1 558	-
Government ¹	957 980	-	-	-
Bank	-	-	-	-
Other	-	21 538	1 558	-
Investment in investment contracts	-	-	-	-
Loans and advances	-	-	-	-
Secured	-	-	-	-
Unsecured	-	-	-	-
Derivative financial instruments	-	-	-	-
Reinsurance assets	-	-	-	-
Receivables including insurance receivables	-	-	-	-
Trade receivables	-	-	-	-
Receivables due from contract holders and reinsurers	-	-	-	-
Brokers and clearing houses and client accounts	-	-	-	-
Contracts for difference	-	-	-	-
Receivables due from related parties	-	-	-	-
Rental and other deposits and sundry debtors	-	-	-	-
Unit-linked investments	-	-	-	-
Collective investment schemes	-	-	-	-
Other unit-linked investments	-	-	-	-
Cash and cash equivalents	-	-	-	-
	957 980	21 538	1 558	-

¹ The government debt securities relate to instruments issued by the South African government, which had a Moody's short-term rating of P3 at 29 February 2020.

² Refer to pages 188 and 189 for further detail on the 'other rated' and 'non-rated' assets.

External credit rating						
P1 R000	P3 R000	Unit-linked (including CIS) R000	Other rated assets ² R000	Non-rated assets ² R000	Total R000	
4 978 872	-	-	176 652	75 800	6 212 400	
-	-	-	-	-	957 980	
4 867 800	-	-	111 130	-	4 978 930	
111 072	-	-	65 522	75 800	275 490	
-	-	-	-	15 587	15 587	
-	-	-	-	138 012	138 012	
-	-	-	-	97 215	97 215	
-	-	-	-	40 797	40 797	
-	-	-	-	23 131	23 131	
-	-	-	123 386	3 917	127 303	
-	-	-	40 947	2 007 030	2 047 977	
-	-	-	14 056	167 186	181 242	
-	-	-	26 891	85 596	112 487	
-	-	-	-	1 625 666	1 625 666	
-	-	-	-	43 485	43 485	
-	-	-	-	79 614	79 614	
-	-	-	-	5 483	5 483	
-	-	50 398 850	-	-	50 398 850	
-	-	50 099 132	-	-	50 099 132	
-	-	299 718	-	-	299 718	
1 030 024	3 816	-	-	39 813	1 073 653	
6 008 896	3 816	50 398 850	340 985	2 303 290	60 036 913	

Notes to the group financial statements

for the year ended 28 February 2021

37. Risk management (continued)

Financial risk management (continued)

Credit risk (continued)

Credit quality (continued)

The other rated assets can be broken down as follows:

Class of financial assets	Rating agency	External credit rating	2021 R000	2020 R000
Receivables including insurance receivables	Fitch	F1+(zaf)	185	632
Receivables including insurance receivables	S&P	AA-(za) to BB(za)	27 163	34 540
Debt securities	Fitch	AA+(zaf) to B(zaf)	-	23 000
Debt securities	S&P	A1+(za) to A2(za)	34 744	113 669
Reinsurance assets	S&P	AA-(za) to A-(za)	228 872	123 386
			290 964	295 227
Debt securities	Moody's ¹	Ba3(za) to NP(za)	34 253	39 983
Cash and cash equivalents	Moody's ¹	NP(za)	16 876	-
Receivables including insurance receivables	Moody's ¹	Baa1(za) to Baa3(za)	-	5 775
			342 093	340 985

¹ Moody's ratings of financial assets which fell out of the range disclosed in the Moody's credit rating table disclosed on the previous pages.

Debt securities

Of the non-rated debt securities of Rnil (2020: R75.8 million), Rnil (2020: R39.3 million) relates to client-related balances, and as such does not expose the business to the credit risk of these securities.

Investment in investment contracts

The investment in investment contracts is an amount invested with a foreign insurer and is linked to the investment contract liability. Therefore the credit risk is carried by the policyholder.

Loans and advances

Loans and advances consist mainly of amounts due from short-term insurance clients and financial advisers which have been deemed to be high quality assets due to the following:

- Balances due from short-term insurance clients are monitored against the collateral provided in the form of the underlying investments held, with Hi-Five Corporate Finance Proprietary Limited allowed to execute its security in case of default on the repayment terms.
- Balances due from financial advisers are monitored against the income generated by these advisers to ensure that sufficient collateral for the amounts owed is available.

Derivative financial instruments

These represent CFDs facilitated by PSG Securities between the client and RMB, and as such the client bears the credit risk.

Receivables including insurance receivables

Non-rated receivables, including insurance receivables, consist mainly of the following:

- Balances due from brokers and clearing houses, which relate to client-related balances, are settled within three days after the transaction occurred in terms of the clearing house rules of the JSE.
- Contracts for difference consisting of collateral assets and margin accounts held by the underlying banking institutions on behalf of clients.
- Non-rated receivables due from contract holders and reinsurers amounted to R93.5 million (2020: R85.6 million). Debtors falling into the 'non-rated' category are managed on a daily basis to ensure recoverability of amounts.

37. Risk management (continued)

Financial risk management (continued)

Credit risk (continued)

Credit quality (continued)

Receivables including insurance receivables (continued)

- Receivables due from related parties relate mainly to the February management fees due from the PSG collective investment schemes, which are settled within a week of the financial year-end.
- Other receivables consist mainly of commission and other fee income due from third-party asset management and insurance companies, fees due from the JSE, as well as policyholder receivables due from investment houses (in the case where the policy matured or was redeemed by the policyholder). These receivables are assessed individually for any indications that the counterparties might not be able to honour their commitments. The risk of default is low as it relates to reputable financial services institutions.
- Of the non-rated trade receivables of R332.1 million (2020: R167.2 million), R242.6 million (2020: R71.2 million) relates to client-related balances and, as such, does not expose the business to the credit risk of these assets.
- The receivables which expose the group to credit risk have been assessed to be high quality assets.

Cash and cash equivalents

The non-rated cash and cash equivalents relate mainly to offshore bank accounts held by foreign subsidiaries and the PSG Securities trading account. The credit committee assesses the default risk of the foreign banks, taking into consideration the alternative counterparties available in the respective countries, and sets limits on the group's exposure. The cash held in the trading account is highly liquid, earns competitive interest yield and has a weighted average maturity of less than 90 days.

Impairment history

Receivables are tested for impairment using a variety of techniques including assessing credit risk and monthly monitoring of individual debtors. At the reporting date, R6.5 million (2020: R23.7 million) of receivables due from contract holders and reinsurers and R0.01 million (2020: R1.0 million) of trade receivables were found to be impaired. As at 28 February 2021, R4.2 million (2020: R3.4 million) of unsecured loans to advisers were impaired.

Refer to notes 8, 11, and 13 for the expected credit loss considerations.

Concentration

Although the group follows a policy of diversification, some concentration of credit risk towards certain counterparties exists:

- A large portion of the quoted debt securities is invested in the large four South African banks, and relates to investments linked to investment contracts and the consolidated collective investment schemes.
- Reinsurance assets and amounts due from reinsurers are largely due from Santam re and African re (refer to the 'reinsurance credit exposures' section below for further detail).
- The derivative financial instruments and contracts for difference represent client assets relating to the stockbroking business and are held mainly with RMB.
- The cash and cash equivalents predominantly include balances at the larger South African banks.

The investment committee closely monitors the performance and concentration of the shareholder assets to ensure that the group is not overly exposed to a particular counterparty.

The collective investment schemes consolidated in terms of IFRS 10 – Consolidated Financial Statements are managed in terms of the respective fund mandates.

Reinsurance credit exposures

Reinsurance is used to manage insurance risk. However, this does not discharge the group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the group remains liable for the payment to the policyholder. The group has some exposure to concentration risk with individual reinsurers due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings. The creditworthiness of reinsurers is considered annually by reviewing their financial strength prior to finalisation of any contract. The group's largest reinsurance counterparties are African re and Santam re (2020: African re and Santam re). This exposure is monitored on a regular basis with the forecast to completion monitored for any shortfall in the claims history to verify that the contract is progressing as expected and that no further exposure for the group will arise. The reinsurance receivable balances, disclosed as 'non-rated' on a group level, relate to reinsurance intermediaries.

Notes to the group financial statements

for the year ended 28 February 2021

37. Risk management (continued)

Financial risk management (continued)

Credit risk (continued)

Credit quality (continued)

Reinsurance credit exposures (continued)

The following table presents the concentration risk with the individual reinsurers at year-end:

	2021		2020	
	R000	%	R000	%
African re	114 436	49	61 693	48
Santam re	82 157	35	59 418	47
R&V Versicherung	32 279	13	2 274	2
Namib re	5 255	3	3 918	3
Reinsurance assets	234 127	100	127 303	100
African re	7 921	42	10 524	37
Santam re	7 921	42	10 524	37
Namib re	3 124	16	1 482	5
Other	68	–	–	–
Swiss re	10	–	5 844	21
Amounts due from reinsurers	19 044	100	28 374	100
	253 171		155 677	

Financial liabilities at fair value through profit or loss

Certain financial liabilities in the group's statement of financial position have been designated at fair value through profit or loss. These include investment contracts and third-party liabilities arising on consolidation of mutual funds. The determination of fair value requires an assessment of PSG Konsult's own credit risk.

The current year and cumulative fair value movements in these instruments were mainly due to market movements relating to the underlying instruments which back the related investment contracts and third-party liabilities, with no significant fair value movement attributable to credit risk.

The investment contract liabilities relate to the group's linked life business, therefore the fair value of the investment contract liabilities are directly linked to the underlying policyholder assets. PSG Konsult has considered the impact of the entity's own credit risk and has determined the impact is not significant based on the liquidity and the underlying asset position which support such liabilities. PSG Konsult remains well capitalised and, accordingly, no adjustment to the valuation for credit risk has been made for the financial years under review.

PSG Konsult's own credit risk is not applicable in the measurement of third-party financial liabilities arising on consolidation of mutual funds as these liabilities are specifically referenced to assets and liabilities contained in a separate legal structure (collective investments schemes) that could not be attached in the event of a group entity holding the controlling units defaulting.

PSG Konsult's own credit risk is also not applicable in the measurement of purchase consideration payable as the amount payable is directly linked to the underlying book of business acquired and its profitability over a contracted period and not that of the group.

37. Risk management (continued)

Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the group will not be able to raise sufficient funds to meet the commitments associated with its liabilities. This risk arises when investments are not marketable and therefore cannot be realised in the short term.

The table below analyses the group's liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying values as the impact of discounting is not significant.

	Carrying value R000	Less than 1 year R000	Between 1 and 5 years R000	Over 5 years R000
At 28 February 2021				
Lease liabilities	277 780	78 418	244 283	31 331
Derivative financial instruments	15 330	15 330	-	-
Investment contracts	30 719 905	4 372 890	26 347 015	-
Insurance contracts	652 774	637 169	15 605	-
Deferred reinsurance acquisition revenue	5 316	5 316	-	-
Third-party liabilities arising on consolidation of mutual funds	35 985 490	35 985 490	-	-
Trade and other payables				
Trade payables, settlement control account and other payables	2 013 331	2 013 331	-	-
Amounts due to intermediaries	33 638	33 638	-	-
Amounts due to reinsurers	33 946	33 946	-	-
Contracts for difference	16 100	16 100	-	-
Purchase consideration payable	49 036	24 448	24 588	-
	69 802 646	43 216 076	26 631 491	31 331
At 29 February 2020				
Lease liabilities	304 964	76 380	249 868	91 749
Derivative financial instruments	30 406	30 406	-	-
Investment contracts	26 694 209	2 945 720	23 748 489	-
Insurance contracts	554 469	534 625	19 844	-
Deferred reinsurance acquisition revenue	7 079	7 079	-	-
Third-party liabilities arising on consolidation of mutual funds	30 293 931	30 293 931	-	-
Trade and other payables				
Trade payables, settlement control account and other payables	1 925 090	1 925 090	-	-
Amounts due to intermediaries	21 568	21 568	-	-
Amounts due to reinsurers	45 707	45 707	-	-
Contracts for difference	28 341	28 341	-	-
Purchase consideration payable	59 185	39 857	19 328	-
	59 964 949	35 948 704	24 037 529	91 749

Notes to the group financial statements

for the year ended 28 February 2021

37. Risk management (continued)

Financial risk management (continued)

Liquidity risk (continued)

Investment contract liabilities

The value of the investment contract liabilities is linked to the value of the underlying matching assets portfolio. Equity securities of R2.5 billion (2020: R2.1 billion), debt securities of R323.2 million (2020: R370.9 million), unit-linked investments of R27.8 billion (2020: 24.2 billion), investment in investment contracts of R14.4 million (2020: R15.6 million) and cash and cash equivalents of R31.9 million (2020: R30.6 million) are linked to investment contract liabilities.

With regard to the linked investment policy business, it is the group's policy to pay a policyholder once the amount disinvested has been collected. Accordingly, the underlying assets' maturity profile should approximate that of the investment contracts. The investment contracts do not expose the group to significant liquidity risk. The investment policy and mandates take the expected liquidity cash flow into account. By limiting the cash flow mismatch, the risk of premature realisation of assets or reinvestment of excess cash is mitigated. In addition, investment guidelines and limits are used to limit exposure to illiquid assets. With regard to the investments linked to guaranteed investment contracts, these products have very specific guaranteed repayment profiles. The expected liability outflow is matched by assets that provide the required cash flows as and when they become payable.

Third-party liabilities arising on consolidation of mutual funds

Third-party liabilities arising on consolidation of mutual funds represent demand liabilities of collective investment scheme interests not held by the group arising as a result of consolidation. Maturity analysis is not possible as it is dependent on external unitholders' behaviour outside of the group's control.

Insurance contracts

The group is exposed to daily calls on its available cash resources, mainly from claims arising from short-term insurance contracts through its subsidiary, Western Group. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Management actively manages the maturity profile of investments made in order to meet obligations. Investments are only made at reputable institutions and in short-duration instruments.

Trade and other payables

Included in trade and other payables is the settlement control account of R1.5 billion (2020: R1.5 billion), which represents the settlement of trades done by clients in the last few days before year-end, with the settlement to the clients taking place within three days after the transaction date. The settlement control account is matched with current assets in the form of the broker and clearing accounts and cash and cash equivalents (if portion was received from the JSE before year-end), which reduces the liquidity risk.

Financing facilities

The group has access to the following undrawn borrowing facilities at the end of the financial year:

- A recourse facility from Investec Bank Limited of R150.0 million (2020: R150.0 million).
- An approved DMTN programme of R3.0 billion (2020: R3.0 billion).
- An undrawn overdraft facility of R50.0 million (2020: R50.0 million) with Absa Bank Limited.

Risk management

Refer to page 89 for the mitigating controls put in place as part of the risk management framework to address liquidity risk.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, each entity aims to maintain flexibility in funding by keeping committed credit lines available.

Fair value estimation

Financial instruments that are measured in the statement of financial position at fair value are disclosed by level based on the following fair value measurement hierarchy, as required by IFRS 7 – Financial Instruments: Disclosures and IFRS 13 – Fair Value Measurement:

• Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. The quoted market price used for financial assets held by the group is the current bid price. Instruments included in level 1 comprise primarily JSE equity investments classified as at fair value through profit or loss.

37. Risk management (continued)

Financial risk management (continued)

Fair value estimation (continued)

- **Level 2 – Input other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)**

Financial instruments that trade in markets that are not considered to be active but are valued (using valuation techniques) based on quoted market prices, dealer quotations or alternative pricing sources supported by observable input are classified within level 2. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. If all significant input required to fair value an instrument is observable, the instrument is included in level 2.

- **Level 3 – Input for the asset or liability that is not based on observable market data (that is, unobservable input)**

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Investments classified within level 3 have significant unobservable input, as they trade infrequently.

Valuation techniques and assumptions used in determining the fair value of level 2 instruments

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:

Instrument	Valuation basis/techniques	Main assumptions
Derivative financial instruments	Exit price on recognised OTC platforms	Not applicable
Debt securities	Valuation model that uses the market inputs (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 based on the net asset value of the fund	Not applicable – daily prices are publicly available
Investment in investment contracts	Unit prices are obtained from the insurer of the particular investment contract	Not applicable – prices provided by registered long-term insurers
Investment contracts liabilities – unit-linked	Current unit price of underlying unitised financial asset that is linked to the liability, multiplied by the number of units held	Not applicable
Third-party financial liabilities arising on consolidation of mutual funds	Quoted put (exit) price provided by the fund manager based on the net asset value of the fund	Not applicable – daily prices are publicly available

Unit-linked investments, investments in investment contracts and debt securities are mostly held to match investment contract liabilities and, as such, any change in measurement would result in a similar adjustment to investment contract liabilities. The group's overall profit or loss is therefore not materially sensitive to the input of the models applied to derive fair value.

Valuation techniques and assumptions used in determining the fair value of level 3 instruments

Unit-linked investments and debt securities relate to units and debentures held in hedge funds and are priced monthly. The group has determined that the reported net asset value represents fair value at the end of the reporting period. 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. The group's overall profit or loss is therefore not materially sensitive to the input of the models applied to derive fair value.

Purchase consideration payable classified within level 3 has significant unobservable input, as the valuation technique used to determine the fair values takes into account the probability (at year-end) that the contracted party will achieve the profit guarantee as stipulated in the business agreement.

Notes to the group financial statements

for the year ended 28 February 2021

37. Risk management (continued)

Financial risk management (continued)

Fair value estimation (continued)

Fair value hierarchy

The following financial instruments are measured at fair value:

At 28 February 2021	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
Financial assets				
Derivative financial instruments	-	12 284	-	12 284
Equity securities	2 568 338	-	8 962	2 577 300
Listed and quoted	2 568 338	-	-	2 568 338
Unquoted	-	-	8 962	8 962
Debt securities	827 633	3 020 004	-	3 847 637
Government debt securities – quoted	660 780	1 870 684	-	2 531 464
Other debt securities – quoted	166 853	1 149 320	-	1 316 173
Unit-linked investments	-	61 573 398	217 549	61 790 947
Collective investment schemes	-	61 573 398	-	61 573 398
Other unit-linked investments	-	-	217 549	217 549
Investment in investment contracts	-	14 402	-	14 402
	3 395 971	64 620 088	226 511	68 242 570
Own balances	30 509	2 384 685	30 138	2 445 332
Client-related balances	3 365 462	62 235 403	196 373	65 797 238
Financial liabilities				
Derivative financial instruments	-	15 330	-	15 330
Investment contracts	-	30 523 532	196 373	30 719 905
Purchase consideration payable	-	-	49 036	49 036
Third-party liabilities arising on consolidation of mutual funds	-	35 985 490	-	35 985 490
	-	66 524 352	245 409	66 769 761
Own balances	-	-	49 036	49 036
Client-related balances	-	66 524 352	196 373	66 720 725

37. Risk management (continued)**Financial risk management (continued)****Fair value estimation (continued)****Fair value hierarchy (continued)**

The following financial instruments are measured at fair value:

At 29 February 2020	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
Listed and quoted	2 219 347	-	-	2 219 347
Unquoted	-	-	10 127	10 127
Debt securities	866 827	5 345 573	-	6 212 400
Government debt securities – quoted	354 641	603 339	-	957 980
Other debt securities – quoted	512 186	4 742 234	-	5 254 420
Unit-linked investments	-	50 099 132	299 718	50 398 850
Collective investment schemes	-	50 099 132	-	50 099 132
Other unit-linked investments	-	-	299 718	299 718
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
Purchase consideration payable	-	-	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 group financial statements

for the year ended 28 February 2021

37. Risk management (continued)

Financial risk management (continued)

Fair value estimation (continued)

Level 3 financial instruments

The following tables present the changes in level 3 financial instruments during the reporting periods under review:

	Unit-linked investments ¹ R000	Equity securities R000	Total R000
Assets			
Carrying value at 1 March 2019	454 859	240	455 099
Additions	121 445	–	121 445
Disposals	(306 030)	(204)	(306 234)
Gains recognised in profit or loss ²	29 444	10 091	39 535
Carrying value at 29 February 2020	299 718	10 127	309 845
Additions	66 010	–	66 010
Disposals	(164 275)	(3 575)	(167 850)
Gains recognised in profit or loss ²	16 096	2 410	18 506
Carrying value at 28 February 2021	217 549	8 962	226 511

¹ Gains on these items were recognised in profit or loss under 'net fair value gains and losses on financial instruments' and 'net income attributable to investment contract holders and third-party liabilities'.

² Gains recognised in profit or loss include unrealised gains of R17.1 million and realised gains of R1.4 million for the 2021 financial year (2020: unrealised gains of R36.4 million and realised gains of R3.1 million).

	Purchase consideration payable in credit R000	Investment contracts ³ R000	Total R000
Liabilities			
Carrying value at 1 March 2019	91 655	435 129	526 784
Additions	38 661	115 273	153 934
Settlements	(71 127)	(306 019)	(377 146)
(Gains)/losses recognised in profit or loss ⁴	(4)	37 997	37 993
Carrying value at 29 February 2020	59 185	282 380	341 565
Additions	63 352	63 408	126 760
Settlements	(66 954)	(166 985)	(233 939)
(Gains)/losses recognised in profit or loss ⁴	(6 547)	17 570	11 023
Carrying value at 28 February 2021	49 036	196 373	245 409

³ Losses on these items were recognised in profit or loss under the line item 'net income attributable to investment contract holders and third-party liabilities'.

⁴ Gains/losses recognised in profit or loss include unrealised losses of R16.2 million and realised gains of R5.2 million for the 2021 financial year (2020: unrealised losses of R34.8 million and realised losses of R3.2 million).

Offsetting

The group does not have any financial assets or financial liabilities that are currently subject to offsetting in accordance with IAS 32 – Financial Instruments: Presentation.

However, the derivative assets of R12.3 million (2020: R23.1 million) and derivative liabilities of R15.3 million (2020: R30.4 million) are subject to a master netting arrangement, with a net exposure of R3.0 million (2020: R7.3 million).

Insurance risk

Insurance activities expose the group to insurance risk (including pricing risk, reserving risk, underwriting risk and reinsurance risk).

Insurance risk is the risk that future claims and expenses will exceed the allowance for expected claims and expenses in the measurement of policyholder liabilities and in product pricing.

37. Risk management (continued)

Insurance risk (continued)

Long-term insurance contracts

The insurance risk that PSG Life Limited is exposed to arises from an annuitant book with 52 (2020: 55) policies which are in the process of being run off, with a total liability value of R15.6 million (2020: R17.0 million). The insurance risk associated with this line of business is longevity risk, as there is a risk of loss that could arise should annuitants live longer than expected.

The loss arises as a result of the company having undertaken to make regular payments to the policyholders for their remaining lives. The most significant risk on these liabilities is continued medical advances and improvement in social conditions that lead to longevity improvements being better than expected.

The group manages the longevity risk by making use of standard mortality tables in calculating the life expectancy of its annuitants. However, the risk is not seen as material due to the size of this annuitant book.

The profile of annuity amounts payable per life in respect of annuities is as follows:

Annuity amount per annum (R)	2021		2020	
	Number of annuities	Annual annuity exposure R000	Number of annuities	Annual annuity exposure R000
0 – 50 000	34	845	35	852
50 001 – 100 000	12	816	14	992
100 001 – 150 000	1	129	1	125
150 001 – 200 000	4	717	4	697
200 001 – 999 999 999	1	308	1	299

The table above shows that the concentration risk is likely to be small given the number of lives and the annuity profile being heavily weighted to lower annuity amounts per annum.

In the measurement of annuitant liabilities, a margin as described in the accounting policies is subtracted from the best estimate mortality. The best estimate mortality includes an allowance for future mortality improvements.

Significant assumptions used in determining the policyholder liability on this annuitant book were as follows:

- Mortality table: 95.00% of a (55), less a three-year age adjustment
- Annuity bonus: based on 65% and 75% (2020: 65% and 75%) of the long-term Prudential Authority inflation curve for mCubed and Glenrand respectively, with 13th cheques allowed for mCubed policies; average future bonus rate of 5.0% (2020: 5.9%) per annum on Glenrand policies and 4.3% (2020: 5.1%) on mCubed policies
- Investment returns: based on the long-term Prudential Authority nominal yield curve effective 28 February 2021 and 29 February 2020

The investment strategy followed for assets held to cover these liabilities is to match the liability cash flows as closely as possible, given the availability of appropriate inflation-linked bonds. The targeted return of these portfolios is to earn returns which at least match inflation. This is reviewed by the investment committee as well as the statutory actuary of PSG Life Limited on at least an annual basis.

The group issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the group manages them.

Short-term insurance contracts

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, the materialisation of risk is random and therefore unpredictable.

Notes to the group financial statements

for the year ended 28 February 2021

37. Risk management (continued)

Insurance risk (continued)

Short-term insurance contracts (continued)

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur when the frequency or severity of claims and benefits is greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques. Changing risk parameters and unforeseen factors, such as patterns of crime, economic and geographical circumstances, may result in unexpectedly large claims.

Pricing and reserving

The group bases its pricing policy on the theory of probability. Underwriting limits are set for underwriting managers and brokers to ensure that this policy is consistently applied. The group also has the right to reprice and change the conditions for accepting risks on renewal. It also has the ability to impose deductibles and reject fraudulent claims.

The group is exposed to accumulation risk in the form of geographical (large metropolitan areas), as well as class of business concentrations of risk. The risk appetite policy dictates how much capital the group is willing to put at risk in the pursuit of value. It is within this risk appetite framework that the reinsurance programme has been selected to mitigate accumulation risk within its portfolio.

The reinsurance arrangements include excess, stop-loss and catastrophe coverage.

Claim provisions for all classes of business are regularly reviewed to make sure they are sufficient. These analyses draw on the expertise and experience of a wide range of specialists, such as underwriting and accounting experts.

Capital adequacy management aims to manage the risk that the net technical reserves held on the statement of financial position to fund reported and future claims as well as their associated expenses may prove insufficient.

The group holds its technical reserves at the minimum levels of sufficiency in accordance with prudential guidelines and legal requirements. The group aims to be conservative in the holding of technical reserves to protect its capital.

Underwriting risk

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

The concentration of insurance risk in relation to the type of insurance risk accepted, as well as the relative geographical concentration of the risk is summarised in the table below:

Geographical location	2021		2020	
	Type of insurance risk		Type of insurance risk	
	Motor %	Non-motor %	Motor %	Non-motor %
South Africa	42	58	42	58
Namibia	35	65	37	63
Botswana	53	47	54	46
	42	58	42	58

Of the group's gross written premium of R1.6 billion for the year ending 28 February 2021 (29 February 2020: R1.5 billion), 90% (2020: 91%) was generated within South Africa, 5% (2020: 6%) within Namibia and 5% (2020: 3%) within Botswana.

Refer to page 89 for mitigating controls put in place as part of the risk management framework to address underwriting risk.

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

37. Risk management (continued)

Insurance risk (continued)

Short-term insurance contracts (continued)

Sources of uncertainty in the estimation of future claim payments

Claims are payable on a claims-occurrence basis. The group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time, and a larger element of the claims provision relates to incurred but not reported claims. There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by the individual contract holders and the risk management procedures they adopted.

In calculating the estimated cost of unpaid claims (both reported and not), the group's estimation techniques are a combination of loss-ratio-based estimates (where the loss ratio is defined as the ratio between the ultimate cost of insurance claims and insurance premiums earned in a particular financial year in relation to such claims) and an estimate based on actual claims experience using predetermined formulae where greater weight is given to actual claims experience as time passes.

Development of claims

Due to the nature of the insurance contracts, the uncertainty about the amount and timing of claims payments is typically resolved within one year.

Capital risk management

The group's objectives when managing capital (which comprises shareholder's equity) are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure. The group considers the optimal capital structure to be a structure in which the optimal level of capital is maintained in the most effective way by balancing the needs of shareholders, policyholders and regulators, with the main focus being one of maximising shareholder value. This requires the group to manage the levels of capital within each regulated entity in the group to keep these in line with the capital requirements for that entity, as well as to ensure that this reflects and is consistent with the group's risk profile and risk appetite. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

When funding is required, management will consider the various forms of paper available for issue, taking into account current market conditions, anticipated trends in market indicators and the financial position of the group at the time. Management will consider issuing ordinary shares, or short, long or medium-term borrowings with variable or fixed rates accordingly.

PSG Konsult Limited facilitates the efficient deployment of capital to the various subsidiaries in the group. The company will therefore retain sufficient capital to satisfy the groups risk appetite as well as to facilitate growth. The Exco and Manco provide oversight for the capital management of the group.

Certain subsidiaries have regulatory capital adequacy requirements as a result of the respective industries in which they operate. PSG Life Limited is required to hold a minimum amount of capital in order to reduce the policyholders' exposure to the company's liquidity risk. The Prudential Authority regularly reviews compliance with these minimum capital requirements as the regulatory authority. The company must maintain shareholders' funds that will be sufficient to meet obligations in the event of substantial deviations from the main assumptions affecting the company's business. PSG Life Limited met the solvency requirements, in accordance with the regulations and the guidelines issued by the Prudential Authority, as at 28 February 2021.

A subsidiary of the group, Western Group Holdings Limited (Western Group), operates in the short-term insurance industry. The objectives when managing capital are to safeguard its ability to continue as a going concern and to ensure optimal capital adequacy management in order to manage the risk that the net technical reserves held on the statement of financial position are sufficient to fund reported and future claims as well as their associated expenses. Capital management is done through reinsurance and reserving. The group is exposed to accumulation risk in the form of geographical (large metropolitan areas) as well as class of business concentrations of risk. The risk appetite policy dictates how much capital the group is willing to put at risk in the pursuit of value. It is within this risk appetite framework that the reinsurance programme has been selected to mitigate accumulation risk within its portfolio. The reinsurance arrangements include excess, stop-loss and catastrophe coverage. The group manages its capital requirements in accordance with the guidelines and statutory regulations of each regulator in the various jurisdictions. The group holds its technical reserves at the minimum levels of sufficiency in accordance with prudential guidelines and legal requirements. The group aims to be conservative in the holding of technical reserves to protect its capital. The entities within the Western Group met their capital requirements as at 28 February 2021.

The capital levels of the non-insurance companies and subsidiaries are based on operational requirements (subject to any regulatory capital requirements), taking into account new business targets.

Notes to the group financial statements

for the year ended 28 February 2021

37. Risk management (continued)

Capital risk management (continued)

Group restrictions on assets and liabilities

The group does not have any significant restrictions on its ability to access or use its assets and settle its liabilities other than those required by supervisory regulatory frameworks.

Group credit risk

Rating agency GCR has reviewed the ratings of PSG Konsult under the Appendix Criteria for Rating Asset Managers, November 2019. PSG Konsult's South African long-term and short-term national scale ratings have been affirmed at A(ZA) and A1(ZA), respectively, with a stable outlook.

Financial risk inherent in consolidated mutual funds

The group consolidates a number of collective investment schemes as a result of exercising control over these funds, and the risk management framework is therefore applicable to the risk management of the fund. Refer to Annexure B for information on the mutual funds consolidated.

Because of the specific nature of the business of the schemes, the risk management principles may be applied differently to managing the risks relevant to the schemes from the way the overall financial risks are managed. This section describes how the financial risk management of the schemes differs from the overall financial risk management.

The management company of the scheme has a dedicated independent risk unit that continuously monitors the overall risk of the portfolios against stated mandate limits and the portfolio risk appetites over time. To avoid conflicts of interest, the unit is separate from the investment team and reports directly to the COO of the management company.

When considering any new investment for a scheme, the risks and expected returns are critical elements in the investment decision. Before an instrument is included in a portfolio, risks are carefully considered at instrument and portfolio levels. The scheme mandate is also assessed.

A portfolio market risk appetite is measured as a function of current market conditions and a benchmark, which translates into a targeted tracking error that is monitored by the independent risk unit. Credit and liquidity risks are mitigated through diversification of issuers in line with the policy.

38. Reclassification and restatement of prior year figures

The following reclassification and restatement were applied to the 29 February 2020 consolidated income statement, the related segment information and notes to the group financial statements.

Reclassification – Net income attributable to investment contract holders and third-party liabilities (1)

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' equity or the net asset value of the group; however, it requires the group to recognise the fund's income and expenses on the consolidated income statement.

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 is however required to recognise the policyholder income and expenses on the consolidated income statement.

The group previously disclosed the income recognised from the underlying assets of the consolidated collective investment schemes and policyholder investment contracts separately from the fair value adjustment to third-party liabilities and investment contract liabilities on the face of the consolidated income statement. In order to provide more relevant and reliable information to the users of the financial statements, management has made two changes to the presentation on the consolidated income statement. The interest and dividend income, relating to the consolidated collective investment schemes and policyholder investment contracts, which has previously been shown separately on the face of the income statement will now be included together with the net fair value gains and losses on financial instruments. Management has also changed the presentation to disclose the net fair value gains and losses on the assets and liabilities relating to the consolidated collective investment schemes and policyholder investment contracts on a single line on the face of the consolidated income statement, 'net income attributable to investment contract holders and third-party liabilities'. A detailed breakdown of the movements has been disclosed in note 25 to the group financial statements.

38. Reclassification and restatement of prior year figures (continued)

Reclassification – Net income attributable to investment contract holders and third-party liabilities (1) (continued)

This change in presentation policy means that the consolidated income statement will no longer be subject to large fluctuations in income and the related fair value adjustments on the third-party liabilities and investment contract liabilities.

Due to the magnitude of the amounts relating to the policyholder investment contracts and consolidated collective investment schemes in comparison to the shareholder amounts included within total income, undue prominence was previously given to these amounts. The change in presentation therefore provides a more meaningful representation of the group's performance.

Restatement – Fair value gains and losses on third-party liabilities (2)

As part of the detailed assessment performed on the consolidated collective investment schemes, as explained above, management investigated the fair value movements which were previously disclosed under 'net fair value gains and losses on financial instruments' in the 29 February 2020 financial statements. Based on the findings, management identified an error in the classification of a portion of the net fair value gains and losses on financial instruments, which should have been disclosed within 'fair value adjustment to third-party liabilities', and has therefore restated the prior year to correct this.

The reclassification and restatement had no impact on the current or prior year reported income, earnings, diluted earnings or headline earnings per share, or on the net asset value or net cash flow. The financial effects of the reclassification and restatement are set out below:

For the year ended 29 February 2020	As previously stated R000	Reclassification – net income attributable to investment contract holders and third-party liabilities (1) R000	Restatement – fair value gains and losses on third-party liabilities (2) R000	Restated R000
Consolidated income statement				
<i>Total income</i>				
Interest income on amortised cost financial instruments	145 328	(50 022)	–	95 306
Interest income on fair value through profit or loss financial instruments	1 446 269	(1 310 335)	–	135 934
Dividend income	646 607	(642 906)	–	3 701
Net fair value gains and losses on financial instruments	(141 842)	365 746	(240 336)	(16 432)
Fair value adjustment to investment contract liabilities	(505 539)	505 539	–	–
Fair value adjustment to third-party liabilities	(1 309 620)	1 069 284	240 336	–
Net income attributable to investment contract holders and third-party liabilities	–	62 694	–	62 694
Total	281 203	–	–	281 203





PSG Konsult Limited Company Financial Statements

204	Company statement of financial position
204	Company statement of comprehensive income
205	Company statement of changes in equity
205	Company statement of cash flows
206	Notes to the company financial statements

Company statement of financial position

as at 28 February 2021

	Notes	2021 R000	2020 R000
Assets			
Investment in subsidiaries	1	1 678 138	1 678 138
Deferred income tax asset	2	–	10
Unit-linked investments	3	169 485	–
Loans and advances	4	266 856	440 456
Receivables	5	248	1 728
Current income tax asset		349	–
Cash and cash equivalents (including money market funds)	6	122 641	312 889
Total assets		2 237 717	2 433 221
Equity			
Equity attributable to owners of the company			
Stated capital	7	1 937 156	2 067 326
Retained earnings		253 213	321 191
Total equity		2 190 369	2 388 517
Liabilities			
Borrowings	8	480	480
Deferred income tax liability	2	198	–
Trade and other payables	9	46 670	44 190
Current income tax liability		–	34
Total liabilities		47 348	44 704
Total equity and liabilities		2 237 717	2 433 221

Company statement of comprehensive income

for the year ended 28 February 2021

	Notes	2021 R000	2020 R000
Interest income on amortised cost financial instruments	10	6 909	4 055
Interest income on fair value through profit or loss financial instruments	10	6 929	17 689
Dividend income	10	234 814	267 500
Net fair value gains and losses on financial instruments	11	748	–
Total income		249 400	289 244
Marketing, administration and other expenses	12	(1 517)	(1 432)
Total expenses		(1 517)	(1 432)
Profit before finance costs and taxation		247 883	287 812
Finance costs	13	(19)	(25)
Profit before taxation		247 864	287 787
Taxation	14	(4 080)	(6 076)
Profit for the year		243 784	281 711
Total comprehensive income for the year		243 784	281 711

Company statement of changes in equity

for the year ended 28 February 2021

	Stated capital R000	Retained earnings R000	Total R000
Balance at 1 March 2019	2 129 572	325 946	2 455 518
Comprehensive income			
Total comprehensive income for the year	-	281 711	281 711
Transactions with owners	(62 246)	(286 466)	(348 712)
Issue of ordinary shares	24 145	-	24 145
Repurchase and cancellation of ordinary shares	(86 391)	-	(86 391)
Dividends paid	-	(286 466)	(286 466)
Balance at 29 February 2020	2 067 326	321 191	2 388 517
Comprehensive income			
Total comprehensive income for the year	-	243 784	243 784
Transactions with owners	(130 170)	(311 762)	(441 932)
Issue of ordinary shares	36 628	-	36 628
Repurchase and cancellation of ordinary shares	(166 798)	-	(166 798)
Dividends paid	-	(311 762)	(311 762)
Balance at 28 February 2021	1 937 156	253 213	2 190 369

Company statement of cash flows

for the year ended 28 February 2021

	Notes	2021 R000	2020 R000
Cash flows from operating activities			
Cash generated by/(utilised in) operations	18.1	212 671	(14 728)
Interest received		8 601	21 744
Dividends received		234 814	267 500
Finance costs		(19)	(25)
Taxation paid	18.2	(4 255)	(6 053)
<i>Net cash flow from operating activities</i>		451 812	268 438
Cash flows from investing activities			
Acquisition of unit-linked investments		(183 500)	-
Disposal of unit-linked investments		20 000	-
<i>Net cash flow from investing activities</i>		(163 500)	-
Cash flows from financing activities			
Dividends paid		(311 762)	(286 466)
Issue of ordinary shares		-	24 145
Repurchase of ordinary shares		(166 798)	(13 691)
<i>Net cash flow from financing activities</i>		(478 560)	(276 012)
Net decrease in cash and cash equivalents		(190 248)	(7 574)
Cash and cash equivalents at the beginning of the year		312 889	320 463
Cash and cash equivalents at the end of the year	18.3	122 641	312 889

Notes to the company financial statements

for the year ended 28 February 2021

Basis of preparation and accounting policies

The basis of preparation and accounting policies of the company are the same as that of the group, as set out in Annexure A. These financial statements should be read in conjunction with the group financial statements.

1. Investment in subsidiaries

	2021 R000	2020 R000
Unlisted shares at cost less impairment	1 678 138	1 678 138

Interest in subsidiaries acquired and sold

There were no changes to the investment in subsidiaries during the current reporting period (2020: no changes).

Impairment

An assessment for impairment was performed by comparing the carrying value of the individual subsidiaries with the calculated fair value less cost to sell. The fair value is determined by applying a PE ratio to the profit after tax for each subsidiary for the respective financial years. The PE ratios are determined with reference to similar listed companies, adjusted for specific risks applicable to each subsidiary, as well as recent transactions concluded in the market and were determined as between 5.0 and 7.5 (2020: 5.0 and 7.5).

General

Refer to Annexure B for the schedule of interests in subsidiaries.

2. Deferred income tax

	2021 R000	2020 R000
Deferred income tax asset	11	10
Deferred income tax liability	(209)	-
Net deferred income tax asset	(198)	10
Deferred income tax asset		
To be recovered within 12 months	11	10
To be recovered after 12 months	-	-
	11	10
Deferred income tax liability		
To be recovered within 12 months	(209)	-
To be recovered after 12 months	-	-
	(209)	-

The movement in the deferred income tax asset during the year was as follows:

	Accruals not currently deductible R000	Total R000
Carrying value at 1 March 2019	16	16
Charge to profit or loss	(6)	(6)
Carrying value at 29 February 2020	10	10
Credit to profit or loss	1	1
Carrying value at 28 February 2021	11	11

2. Deferred income tax (continued)

The movement in the deferred income tax liability during the year was as follows:

Deferred income tax liability	Unrealised appreciation of investments R000	Total R000
Carrying value at 29 February 2020	-	-
Charge to profit or loss	(209)	(209)
Carrying value at 28 February 2021	(209)	(209)

The deferred income tax asset and liability were calculated on all temporary differences under the liability method using the effective tax rate of 28% (2020: 28%).

The recoverability of the deferred income tax asset was assessed as set out in the detailed accounting policies in Annexure A.

3. Unit-linked investments

	2021 R000	2020 R000
Carrying value at the beginning of the year	-	-
Additions	183 500	-
Disposals	(20 000)	-
Unrealised fair value net gains	748	-
Interest and dividends reinvested	5 237	-
Carrying value at the end of the year	169 485	-
Current portion	169 485	-
Non-current portion	-	-
	169 485	-

4. Loans and advances

	2021 R000	2020 R000
Loans to related parties (refer to note 17)	266 856	440 456
Current portion	266 856	440 456
Non-current portion	-	-
	266 856	440 456

The loans to related parties are repayable on demand and interest-free, with the exception of R7.8 million in the 2021 financial year which accrues interest at prime.

The fair values of the loans and advances approximate their carrying values. Loans and advances are shown net of amounts which are not expected to be recoverable.

Expected credit losses

Expected credit losses for loans to related parties are measured under the general model as prescribed by IFRS 9.

The period over which the expected credit loss is calculated is limited to the maximum contractual period of the loan. For loans that are repayable on demand, the contractual period is the period needed to transfer the cash once demanded. The expected credit losses are based on the assumption that the repayment of the loan is demanded at the reporting date. As such, the impact of incorporating forward-looking information is immaterial, due to the short period over which the expected credit loss assessment is performed.

Notes to the company financial statements

for the year ended 28 February 2021

4. Loans and advances (continued)

The financial information of the borrower at the reporting date is inspected to determine if:

- the borrower has sufficient accessible highly liquid assets or facilities in order to repay the loan if demanded at the reporting date, and
- that there is no senior debt which the borrower would need to repay before the intergroup loan being assessed.

In such a scenario, assuming that the entity has no restrictions on its liquid assets and could meet a demand to repay the loan at the reporting date, no expected credit loss would be recognised unless the impact of discounting from when the repayment is demanded until it is paid is material.

The related parties were assessed to have sufficient accessible liquid assets or facilities available to repay the loans in full, taking into consideration any senior debt which the borrower would need to repay first, should repayment be demanded on the reporting date. Management therefore determined that any expected credit losses as well as the impact of discounting would be immaterial.

The maximum exposure to credit risk at the reporting date is the fair value of the loans and advances mentioned above.

5. Receivables

	2021 R000	2020 R000
Trade receivables	248	1 728
Current portion	248	1 728
Non-current portion	-	-
	248	1 728

The receivables are interest-free and repayable on demand. The carrying value approximates fair value.

In terms of IFRS 9, the company has applied the simplified approach to determine the expected credit loss, which was immaterial.

6. Cash and cash equivalents (including money market funds)

	2021 R000	2020 R000
Cash at bank	2 341	830
Money market funds	39 800	299 959
Short-term deposits	80 500	12 100
	122 641	312 889

The effective-interest rate on cash and cash equivalents (including money market funds) was 3.93% (2020: 7.09%). The money market funds and the short-term deposits have an average maturity of 30 days or less.

Impairments on cash and cash equivalents carried at amortised cost are measured on a 12-month expected credit loss basis and reflect the short-term maturities of the exposures. The company considers that its cash and cash equivalents have good credit quality based on the external credit ratings of the counterparties. Management therefore determined that any expected credit losses would be immaterial.

7. Stated capital

Authorised

3 billion shares with no par value

(2020: 3 billion shares with no par value)

There were no changes to the authorised stated capital during the current reporting period (2020: no changes).

Issued	Number of shares (thousands)	Stated capital R'000
As at 1 March 2019	1 364 885	2 129 572
Issue of ordinary shares	2 379	24 145
Repurchase and cancellation of ordinary shares	(10 341)	(86 391)
As at 29 February 2020	1 356 923	2 067 326
Issue of ordinary shares	5 000	36 628
Repurchase and cancellation of ordinary shares	(20 993)	(166 798)
As at 28 February 2021	1 340 930	1 937 156

During the year under review, the group, through its subsidiary PSG Multi Management Proprietary Limited, concluded a portfolio management acquisition transaction with some of its advisers during the reporting period. The purpose of this transaction was to consolidate and align certain client share portfolio research and operational management activities within the firm. The consideration was paid with the issue of PSG Konsult shares (5 million shares at an average of R7.35 per share) and a cash consideration of R70.6 million on the effective date.

During the 2021 financial year, the company repurchased and cancelled 21.0 million ordinary shares at a cost of R166.8 million at a weighted average cost price of R7.95 per share. The cost was deducted from stated capital. The buy back and cancellation were approved by shareholders at last year's AGM.

The shares issued during the previous financial year were to fulfil the company's obligation towards the share options which vested on 18 April 2019 and 1 August 2019 respectively.

During October 2019 the company repurchased and cancelled 8.8 million ordinary shares. The shares were acquired at a price of R8.25 per share. PSG Konsult repurchased and cancelled a further 1.5 million shares at a cost of R13.7 million during February 2020 at a weighted average cost price of R8.83 per share. The total cost of R86.4 million (weighted average cost price of R8.34 per share) was deducted from stated capital. The buy back and cancellation were approved by shareholders at the 2019 AGM.

All shares issued by the company were fully paid. The unissued shares in the company are placed under the control of the directors until the next AGM. The directors are authorised to buy back shares under general approval, subject to certain limitations and the JSE Listings Requirements.

8. Borrowings

	2021 R000	2020 R000
Related-party loans (refer to note 17)	480	480
Current portion	480	480
Non-current portion	-	-
	480	480

The related-party loans are unsecured, interest-free and repayable on demand.

The carrying value of the borrowings approximates their fair value.

Notes to the company financial statements

for the year ended 28 February 2021

9. Trade and other payables

	2021 R000	2020 R000
Trade payables	46 661	44 181
VAT payable	9	9
Total trade and other payables ¹	46 670	44 190
Current portion	46 670	44 190
Non-current portion	–	–
	46 670	44 190

¹ Includes non-financial liabilities of R0.009 million (2020: R0.009 million).

The carrying amount of trade and other payables approximates their fair value.

10. Investment income

	2021 R000	2020 R000
Interest income		
<i>Interest income on amortised cost financial instruments</i>		
Interest received from related parties (refer to note 17)	1 490	1 359
Cash and short-term funds	5 419	2 696
	6 909	4 055
<i>Interest income on fair value through profit or loss financial instruments¹</i>		
Interest received from related parties (refer to note 17)	6 929	17 689
	6 929	17 689
	13 838	21 744
Dividend income¹		
Dividend income from subsidiaries (refer to note 17)	234 742	267 500
Dividend income on equity securities	72	–
	234 814	267 500
Total investment income	248 652	289 244

¹ The interest income on fair value through profit or loss financial instruments and the dividend income are recognised on financial instruments mandatorily at fair value through profit or loss.

11. Net fair value gains and losses on financial instruments

	2021 R000	2020 R000
Unrealised net fair value gains on unit-linked investments	748	–

12. Marketing, administration and other expenses

	2021 R000	2020 R000
Auditor's remuneration	69	137
Professional fees	1 287	1 176
Administration costs	161	119
	1 517	1 432

13. Finance costs

	2021 R000	2020 R000
Other borrowings	19	25

14. Taxation

	2021 R000	2020 R000
Current taxation		
Current year	3 872	6 070
Deferred taxation		
Current year	208	6
Total income statement charge	4 080	6 076

The company has no unutilised tax losses available at 28 February 2021 (29 February 2020: Rnil) for utilisation against future taxable income.

Reconciliation of effective rate of taxation	2021 %	2020 %
South African normal taxation rate	28.0	28.0
Adjusted for:		
Non-taxable income ¹	(26.5)	(26.0)
Non-deductible charges	0.1	0.1
Effective rate of taxation	1.6	2.1

¹ The non-taxable income relates to dividend income.

15. Dividend per share

	2021 R000	2020 R000
Normal dividend	311 762	286 466

Interim

8.0 cents per share (2020: 7.5 cents per share)

Final

16.5 cents per share (2020: 15.0 cents per share)

Dividends are not accounted for until they have been approved by the company's board of directors.

16. Borrowing powers

In terms of the company's MOI, borrowing powers are unlimited. Details of actual borrowings of the company are disclosed in note 8 to the company financial statements.

Notes to the company financial statements

for the year ended 28 February 2021

17. Related-party transactions

PSG Konsult Limited and its subsidiaries enter into various transactions with members of the PSG Group and the PSG Konsult Group. These transactions include a range of investment, administrative and corporate services in the normal course of business.

Related-party balances	2021 R000	2020 R000
Loans and advances		
<i>Due from companies in the PSG Konsult Limited Group</i>		
PSG Management Services Proprietary Limited	91 115	158 036
PSG Konsult Treasury Limited	46 578	146 071
PSG Wealth Holdings Proprietary Limited	22 986	22 986
PSG Multi Management Proprietary Limited	7 840	-
PSG Konsult Group Share Incentive Trust	98 337	113 363
	266 856	440 456
Refer to note 4 for the detail of the terms of the loans to related parties.		
Borrowings		
<i>Due to companies in the PSG Konsult Limited Group</i>		
PSG Insure Holdings Proprietary Limited	480	480
	480	480
Unit-linked investments		
<i>Investments in related parties</i>		
Local unit trusts	169 485	-
	169 485	-
Cash and cash equivalents (including money market funds)		
<i>Investments in related parties</i>		
Local unit trusts	39 800	299 959
	39 800	299 959

Refer to note 8 for the detail of the terms of the related-party loans.

Related-party transactions	2021 R000	2020 R000
Interest income		
<i>Received from companies in the PSG Konsult Limited Group</i>		
PSG Konsult Treasury Limited	-	636
PSG Multi Management Proprietary Limited	1 490	-
Delerus Proprietary Limited	-	723
<i>Received from related parties</i>		
Local unit trusts	6 929	17 689
	8 419	19 048
Dividend income		
<i>Received from companies in the PSG Konsult Limited Group</i>		
PSG Wealth Holdings Proprietary Limited	64 000	90 000
PSG Distribution Holdings Proprietary Limited	108 242	82 500
PSG Asset Management Holdings Proprietary Limited	62 500	95 000
	234 742	267 500

The shareholding of directors and the directors' remuneration are set out in the report of the board of directors.

Key management compensation

Key management are those persons who have authority and responsibility for planning, directing and controlling the activities of the group. Key management is considered to be the board of directors and the prescribed officers. For the detail of the audited directors' and prescribed officers' remuneration, refer to the report of the board of directors on pages 109 and 110.

18. Notes to the statement of cash flows

	2021 R000	2020 R000
18.1 Cash generated by/(utilised in) operations		
Profit before finance costs and taxation	247 883	287 812
Adjustment for non-cash items and other:		
Interest income	(13 838)	(21 744)
Dividend income	(234 814)	(267 500)
Net fair value gains and losses on financial instruments	(748)	-
	(1 517)	(1 432)
Changes in working capital		
Receivables	1 480	(69)
Loans and advances	210 228	(10 132)
Borrowings	-	(6 371)
Trade and other payables	2 480	3 276
	212 671	(14 728)
18.2 Taxation paid		
Charge to profit or loss	(4 080)	(6 076)
Movement in deferred taxation	208	6
Movement in net taxation liability	(383)	17
	(4 255)	(6 053)
18.3 Cash and equivalents at the end of the year		
Cash and cash equivalents (including money market funds)	122 641	312 889

19. 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 company financial statements.

Notes to the company financial statements

for the year ended 28 February 2021

20. Risk management

Financial risk management

Financial risk factors

The company's activities expose it to a variety of financial risks: market risk (including cash flow and fair value interest rate risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Risk management is carried out under policies approved by the board of directors. The management of PSG Konsult identifies, evaluates and mitigates financial risks. The board of directors provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and non-derivative financial instruments and investment of excess liquidity.

Financial instruments are grouped into the following classes in order to facilitate effective financial risk management and disclosure in terms of IFRS 7 – Financial Instruments: Disclosures and IFRS 13 – Fair Value Measurement:

Assets	2021 R000	2020 R000
Financial assets carried at amortised cost		
Loans and advances ¹	266 856	440 456
Receivables ¹	248	1 728
Cash and cash equivalents (including money market funds) ¹	82 841	12 930
Financial assets carried at fair value through profit or loss		
Unit-linked investments	169 485	–
Cash and cash equivalents (including money market funds)	39 800	299 959
Total financial assets	559 230	755 073
Liabilities		
Financial liabilities carried at amortised cost		
Borrowings ¹	480	480
Trade and other payables ¹	46 661	44 181
Total financial liabilities	47 141	44 661

¹ Carrying value approximates fair value.

20. Risk management (continued)

Financial risk management (continued)

Market risk

Cash flow and fair value interest rate risk

The company's interest rate risk arises from loans and advances, receivables, cash and cash equivalents, borrowings and trade and other payables. Borrowings issued at variable rates expose the company to cash flow interest rate risk. Borrowings issued at fixed rates expose the company to fair value interest rate risk.

	2021			2020		
	Floating rate R000	Interest-free R000	Carrying value R000	Floating rate R000	Interest-free R000	Carrying value R000
Unit-linked investments	96 041	73 444	169 485	-	-	-
Loans and advances	7 840	259 016	266 856	-	440 456	440 456
Receivables	-	248	248	-	1 728	1 728
Cash and cash equivalents	122 641	-	122 641	312 889	-	312 889
Borrowings	-	(480)	(480)	-	(480)	(480)
Trade and other payables	-	(46 661)	(46 661)	-	(44 181)	(44 181)
	226 522	285 567	512 089	312 889	397 523	710 412

The company manages its cash flow interest rate risk by monitoring interest rates on a regular basis.

Based on simulations performed, the impact on post-tax profit of a 1% (2020: 1%) movement in interest rates is analysed below:

	2021 1% increase R000	2020 1% increase R000	2021 1% decrease R000	2020 1% decrease R000
Impact on post-tax profit and equity	1 631	2 253	(1 631)	(2 253)

Credit risk

Credit risk arises from the inability or unwillingness of a counterparty to a financial instrument to discharge its contractual obligations. Credit risk comprises default, settlement and migration risk (if credit ratings change).

Credit risk arises from cash and cash equivalents, loans and advances and receivables. Counterparties and cash transactions are limited to high-credit-quality financial institutions.

The table below shows the company's maximum exposure to credit risk by class of asset:

	2021		2020	
	Balance R000	Collateral fair value R000	Balance R000	Collateral fair value R000
Unit-linked investments	169 485	-	-	-
Loans and advances	266 856	-	440 456	-
Receivables	248	-	1 728	-
Cash and cash equivalents	122 641	-	312 889	-
	559 230	-	755 073	-

Notes to the company financial statements

for the year ended 28 February 2021

20. Risk management (continued)

Financial risk management (continued)

Credit risk (continued)

Receivables are tested for impairment using a variety of techniques including assessing credit risk and monthly monitoring of individual debtors. At 28 February 2021 and 29 February 2020, the expected credit loss calculated in terms of IFRS 9 was immaterial.

Financial assets are assessed based on their credit ratings as published by Moody's. Financial assets which fall outside this range are classified as not rated. Credit limits, for each counterparty, are set based on default probabilities that are, in turn, based on the ratings of the counterparty concerned.

The credit quality of financial assets can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	2021 R000	2020 R000
P1	82 118	12 596
Other non-rated assets	267 827	442 518
Unit-linked investments (including CIS)	209 285	299 959
	559 230	755 073

The table below analyses the company's external credit rating by class of asset:

	P1 R000	Unit-linked investments (incl CIS) R000	Other non-rated assets R000	Total R000
At 28 February 2021				
Unit-linked investments	-	169 485	-	169 485
Loans and advances	-	-	266 856	266 856
Receivables	-	-	248	248
Cash and cash equivalents	82 118	39 800	723	122 641
	82 118	209 285	267 827	559 230
At 29 February 2020				
Loans and advances	-	-	440 456	440 456
Receivables	-	-	1 728	1 728
Cash and cash equivalents	12 596	299 959	334	312 889
	12 596	299 959	442 518	755 073

The unit-linked investments relate to the company's investment in the PSG Money Market Fund of which the underlying instruments are rated in terms of the Collective Investment Schemes Control Act. The mandate of the fund is to invest in cash deposits and highly liquid, fixed-interest securities with a weighted average maturity of less than 90 days. A spread of investments in top-quality financial instruments and institutions moderates the risk through diversification.

Loans and advances

Loans and advances consist of loans to related parties and are repayable on demand. The loans and advances have been assessed to have good credit quality. Refer to note 4 for detail on the credit loss assessment performed.

20. Risk management (continued)

Financial risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the business, it aims to maintain flexibility in funding by keeping committed credit lines available.

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying values as the impact of discounting is not significant.

	Carrying value R000	Less than 1 year R000	Between 1 and 5 years R000	Over 5 years R000
At 28 February 2021				
Borrowings	480	480	-	-
Trade and other payables	46 661	46 661	-	-
	47 141	47 141	-	-
At 29 February 2020				
Borrowings	480	480	-	-
Trade and other payables	44 181	44 181	-	-
	44 661	44 661	-	-

Fair value estimation

Financial instruments that are measured in the statement of financial position at fair value are disclosed by level based on the following fair value measurement hierarchy, as required by IFRS 7 – Financial Instruments: Disclosures and IFRS 13 – Fair Value Measurement:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. Instruments included in level 1 comprise primarily JSE equity investments classified as at fair value through profit or loss.

Level 2 – Input other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Financial instruments that trade in markets that are not considered to be active but are valued (using valuation techniques) based on quoted market prices, dealer quotations or alternative pricing sources supported by observable input are classified within level 2. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3 – Input for the asset or liability that is not based on observable market data (that is, unobservable input)

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Investments classified within level 3 have significant unobservable input, as they trade infrequently.

Notes to the company financial statements

for the year ended 28 February 2021

20. Risk management (continued)

Financial risk management (continued)

Valuation techniques and assumptions used in determining the fair value of level 2 instruments

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:

Instrument	Valuation basis/techniques	Main assumptions
Unit-linked investments	Quoted put (exit) price provided by the fund manager based on the net asset value of the fund	Not applicable – daily prices are publicly available
Cash and cash equivalents (including money-market funds)	Quoted put (exit) price provided by the fund manager based on the net asset value of the fund	Not applicable – daily prices are publicly available

Fair value hierarchy

The following financial assets are measured at fair value:

	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
At 28 February 2021				
Unit-linked investments	-	169 485	-	169 485
Cash and cash equivalents (including money market funds)	-	39 800	-	39 800
	-	209 285	-	209 285
At 29 February 2020				
Cash and cash equivalents (including money market funds)	-	299 959	-	299 959
	-	299 959	-	299 959

20. Risk management (continued)

Capital risk management

The company's objectives when managing capital (which comprises shareholder's equity) are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

When funding is required, management will consider the various forms of paper available for issue, taking into account current market conditions, anticipated trends in market indicators and the financial position of the company at the time. Management will accordingly consider issuing ordinary shares, or short-, long- or medium-term borrowings with variable or fixed rates.

Credit rating

Rating agency GCR has reviewed the ratings of PSG Konsult under the Appendix Criteria for Rating Asset Managers, November 2019. PSG Konsult's South African long-term and short-term national scale ratings have been affirmed at A(ZA) and A1(ZA), respectively, with a stable outlook.

21. Capital commitments and contingencies

PSG Konsult Limited has issued letters of support in the ordinary course of business for the activities of certain of its subsidiaries.





Annexures

222	Annexure A – Detailed accounting policies
246	Annexure B – Interests in subsidiaries
252	Annexure C – Share analysis
253	Annexure D – Glossary

Annexure A – Detailed accounting policies

for the year ended 28 February 2021

The principal accounting policies applied in the preparation of these group and company financial statements are set out below. The accounting policies applied are in terms of IFRS and are consistent with those applied in the previous group annual financial statements, except for the restatement of the consolidated income statement and the related notes for the year ended 29 February 2020, and the mandatory adoption of minor amendments to IFRS, which are effective for the financial year commencing 1 March 2020. Refer to note 38 for further details on the restatement. The minor IFRS amendments have not resulted in any material impact on the group's 2021 reported results, comparative periods or disclosures.

1. Standards, interpretations and amendments to published standards that are effective for the first time in 2021

1.1 New and amended standards, interpretations and amendments adopted by the group

The following new standards, interpretations or amendments, which are relevant to the group's operations, became effective during the year:

- *Amendments to IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors (effective 1 January 2020)*

The amendments clarify the definition of material and how it should be applied by including guidance in the definition that until now has featured elsewhere in the IFRS Standards. In addition, the explanations accompanying the definition have been improved. The amendments ensure that a consistent definition of material is used throughout all IFRS Standards.

- *Amendment to IFRS 3 – Business Combinations (effective 1 January 2020):*

This amendment revises the definition of a business. The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organised workforce.

The adoption of these standards, interpretations and amendments had no material impact on measurements of assets and liabilities in the current or prior financial years.

1.2 New and amended standards, interpretations and amendments not currently relevant to the group's operations

The following amendments, which are not currently relevant to the group's operations, had no impact on the measurement of amounts or disclosures in the current or prior financial years:

- *Amendments to IFRS 9 – Financial Instruments, IAS 39 – Financial Instruments: Recognition and Measurement, and IFRS 7 – Financial Instruments: Disclosure – Interest rate benchmark reform (effective 1 January 2020)*

These amendments provide certain reliefs in connection with the interest rate benchmark reform (IBOR). The reliefs relate to hedge accounting and have the effect that the IBOR should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.

2. Standards, interpretations and amendments to published standards that are not yet effective

The following new standards, interpretations and amendments have been published and are mandatory for the group's accounting periods beginning on or after 1 March 2021 or later periods and have not been early adopted by the group:

- Amendment to IAS 1 – Presentation of Financial Statements – Classification of liabilities and Disclosure of accounting policies (effective 1 January 2023)*
- Amendment to IFRS 16 – Leases – Covid-19 related rent concessions (effective 1 June 2020)*
- IFRS 17 – Insurance Contracts (effective 1 January 2023)^
- Annual Improvements 2018 – 2020 cycle (effective 1 January 2022)*

* Management has assessed the impact of these standards, interpretations and amendments on the reported results of the group and company and does not foresee any impact.

^ Management is in the process of assessing the impact of these standards, interpretations and amendments on the reported results of the group.

2. Standards, interpretations and amendments to published standards that are not yet effective (continued)

2.1 Impact of initial application of new standards that are not yet effective

Standard	Impact of standards
IFRS 17 – Insurance Contracts	IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements of insurers. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis in each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contracts, including those with a coverage period of one year or less. For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur, but over the remaining life of the contract. Management is still in the process of assessing the impact that the adoption of IFRS 17 will have on the reported results of the group. The standard will not have any impact on the company as it does not issue insurance contracts.

3. Group financial statements

The group annual financial statements comprise those of the company, its subsidiaries, associated companies, joint ventures and the share incentive trust (share trust). Accounting policies of the subsidiaries, associated companies and joint ventures have been changed, where necessary, to ensure consistency with policies adopted by the group.

3.1 Subsidiaries (including mutual funds) and business combinations

Subsidiaries are all entities (including structured entities, special-purpose entities (SPEs), collective investment schemes and hedge funds) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group and are deconsolidated from the date that control ceases. SPEs are also consolidated where the substance of the relationship indicates that the SPE is controlled by the group.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises a non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Annexure A – Detailed accounting policies

for the year ended 28 February 2021

3. Group financial statements (continued)

3.1 Subsidiaries (including mutual funds) and business combinations (continued)

If a business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurements are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss, or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

Shares in the company held by the share trust have been consolidated into the financial results of the group, as the group effectively controls these shares, and are accounted for as treasury shares.

Investments in subsidiaries are accounted for at cost less impairment in the separate financial statements. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

3.2 Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with owners in their capacity as owners. The difference between fair value of any consideration paid or received, and the relevant share acquired or disposed of the carrying value of net assets of the subsidiary, is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

3.3 Accounting for the group's acquisition of the controlling interest in subsidiaries under common control

IFRS 3 – Business Combinations does not apply to business combinations effected between parties that are ultimately controlled by the same entity, both before and after the business combination (and where that control is not transitory), otherwise known as common control transactions. The group has elected to apply the principle of predecessor accounting (as determined by the generally accepted accounting principles in the United States of America) to such transactions.

The accounting policy for the acquiring entity would be to account for the transaction at book values in its consolidated financial statements. The book values of the acquired entity are the consolidated book values as reflected in the consolidated financial statements of the selling entity (highest level of consolidation). The excess of the cost of the transaction over the acquirer's proportionate share of the net asset value acquired in common control transactions will be allocated to the existing common control reserve in equity. As a result, no goodwill is recognised on acquisition. Where comparative periods are presented, the financial statements and financial information presented are not restated as the group elected to account for common control transactions from the date of the acquisition, therefore prospectively.

3. Group financial statements (continued)

3.4 Joint arrangements

The group has applied IFRS 11 to all joint arrangements since 1 March 2014. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method of accounting.

Under the equity method, the investment in joint ventures is initially recognised at cost and subsequently measured in the consolidated statement of financial position at an amount that reflects the group's share of the net assets of the joint venture (including goodwill). The equity method of accounting involves recognising the group's share of its joint ventures' post-acquisition profits or losses in the income statement, and its share of post-acquisition movements in other comprehensive income and movements in other reserves, in the statement of comprehensive income and the statement of changes in equity respectively. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred.

Equity accounting is discontinued when the group no longer has joint control over the investment.

3.5 Interests in subsidiaries – mutual funds

The group has assessed its interests in the various mutual fund investments in which the group has the irrevocable asset management agreement over the mutual funds and in which the group has invested significantly. For other mutual funds, other factors such as the existence of control through voting rights held by the group in the fund, or significant economic power in the fund, are considered in the assessment of control. Judgement is required in the assessment of whether the group has control or significant influence in terms of the variability of returns from the group's involvement in the funds, the ability to use power to affect those returns and the significance of the group's investment in the funds. Based on the assessment of control or significant influence over these mutual funds, certain funds have been consolidated and others not. In terms of IFRS 10, the group considers itself to have control of a fund when it both owns the asset manager of the fund and holds approximately 30% economic interest thereof.

3.6 Unconsolidated structured entities – mutual funds

The group invests in various mutual funds which are widely recognised as investment trusts that are regulated by government agencies, marketed and open to public investment. These funds provide investors with access to returns on underlying assets in terms of predefined mandates. Pricing information is publicly available.

Management does not consider these vehicles to be unconsolidated structured entities as defined under IFRS 12, as these funds are vanilla in nature and do not have a complicated funding structure.

4. Segment reporting

The CEO, supported by the group Manco, is the group's CODM as it is responsible for the overall strategic decision-making. Management has determined the operating segments based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance of the operating segments. The composition of the reportable segments represents the internal reporting structure and the monthly reporting to the CODM.

5. Foreign currency translation

5.1 Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which those entities operate (the functional currency).

The group and company financial statements are presented in South African rand, being PSG Konsult's functional and presentation currency.

Annexure A – Detailed accounting policies

for the year ended 28 February 2021

5. Foreign currency translation (continued)

5.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement as part of net fair value gains and losses on financial instruments.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities carried at fair value through profit or loss are recognised in profit or loss as part of foreign exchange gains or losses and translation differences on non-monetary assets carried at fair value through other comprehensive income are recognised in other comprehensive income.

5.3 Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).
- Assets and liabilities for each statement of financial position presented are translated at closing exchange rate at the date of that statement of financial position.
- All resulting exchange differences are recognised in other comprehensive income and as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as the foreign entity's assets and liabilities and are translated at the closing rate. Exchange differences are recognised in the statement of comprehensive income.

Group entities with functional currencies other than the presentation currency, mainly have the following functional currencies:

	2021		2020	
	Average	Closing	Average	Closing
British pound	21.33	21.04	18.65	20.08
United States dollar	16.51	15.11	14.59	15.67

Exchanges rates used are based on interbank bid rates.

6. Property and equipment

All property and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

6. Property and equipment (continued)

Depreciation is calculated on the straight-line method at rates considered appropriate to reduce book values to estimated residual values over the useful lives of the assets, as follows:

Leasehold improvements	over the remaining lease period
Motor vehicles	4 to 5 years
Office equipment	5 to 10 years
Computer equipment	3 to 7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. If the estimates of the remaining useful lives or residual values change, the remaining carrying values are depreciated prospectively, taking into account the revised estimates.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

7. Intangible assets

7.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary or joint venture undertaking at the date of acquisition. Goodwill is reported in the statement of financial position as an intangible asset. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to CGUs for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The groups of CGUs are identified at the lowest level at which goodwill is monitored for internal management purposes.

7.2 Trademarks and licences

Separately acquired trademarks and licences are shown at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method over their estimated useful lives, which varies from 5 to 20 years and is reassessed annually.

7.3 Customer relationships

Customer relationships consist of acquired adviser books of business, as well as acquired income stream rights on existing adviser books of business. These customer relationships are shown at cost less accumulated amortisation and impairment. Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. Amortisation is calculated using the straight-line method over their estimated useful lives ranging between 5 and 20 years, which reflects the expected life of the customer relationships acquired.

7.4 Deferred acquisition costs (DAC)

Commissions, fees and other incremental costs that vary with and are related to securing new investment contracts and renewing existing investment contracts are capitalised as a DAC intangible asset, since these costs relate to future economic benefits being generated beyond one year. Subsequent changes to the DAC payable are reversed/capitalised against the relevant intangible asset. The DAC intangible asset is subsequently amortised over the expected life of the investment contracts. All other costs are recognised as expenses when incurred.

An impairment test is conducted annually at reporting date on the DAC intangible asset balance to ensure that the amount will be recovered from future revenue generated by the applicable remaining investment management contracts.

Annexure A – Detailed accounting policies

for the year ended 28 February 2021

7. Intangible assets (continued)

7.5 Other intangible assets

Other intangible assets consist mainly of intellectual property rights and computer software.

Intellectual property rights are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of these rights over their estimated useful lives of 20 years.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised using the straight-line method over their estimated useful lives ranging between 2 and 12 years. The carrying amount is reviewed for impairment when an impairment indicator is identified.

8. Impairment of non-financial assets

Goodwill and intangible assets that have indefinite useful lives and are not subject to amortisation, or that are not yet available for use, are tested annually for impairment. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered. The recoverable amount, being the higher of fair value less costs to sell and value in use, is determined for any asset for which an indication of impairment is identified. If the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable amount.

For the purpose of assessing impairment, assets are grouped together into CGUs which represent the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets. An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount.

Impairment losses are recognised as an expense in profit or loss in the period in which they are identified. An impairment loss in respect of goodwill is not reversed. In respect of other assets, reversal of impairment losses is recognised in profit or loss in the period in which the reversal is identified, to the extent that the asset is not increased to a carrying value higher than it would have been had no impairment loss been recognised for the asset in prior years.

9. Financial instruments

Financial instruments recognised on the statement of financial position include financial assets, consisting of equity securities, debt securities, unit-linked investments, investment in investment contracts, loans and advances, derivative financial assets, receivables including insurance receivables, cash and cash equivalents, as well as financial liabilities, consisting of borrowings, derivative financial liabilities, investment contracts, third-party liabilities arising on consolidation of mutual funds and trade and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

10. Financial assets

10.1 Classification

Financial assets are classified based on the business model and nature of cash flows associated with the instrument.

Financial assets at amortised cost

A debt instrument is classified in this category if it meets both of the following criteria and is not designated as at fair value through profit or loss:

- the asset is held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows, on specified dates, that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through other comprehensive income

The group and company have not currently elected to measure any equity instruments at fair value through other comprehensive income.

A debt instrument is classified in this category if it meets both of the following criteria and is not designated as at fair value through profit or loss:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise to cash flows, on specified dates, that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or fair value through other comprehensive income as described above are mandatorily measured at fair value through profit or loss. The group also designates certain financial assets that would otherwise meet the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Where financial assets are not specified as being designated at fair value through profit or loss these are mandatorily measured at fair value through profit or loss.

10.2 Recognition and measurement of financial assets

Purchases and sales of financial assets are recognised on trade date – the date on which the group commits to purchase or sell the asset. Financial assets not carried at fair value through profit or loss are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses recognised in the income statement are calculated as the difference between the fair value and carrying value of a financial instrument (after taking into account other income statement movements, such as interest and dividend income) which is still held at year-end. Realised gains and losses are recognised in the income statement when a financial instrument is sold and represents the value of the proceeds received or consideration paid for the financial instrument less the carrying value of the financial instrument (excluding previously recognised unrealised gains and losses). The group utilises the information provided from various product and investment houses to assist with the classification of the gains and losses.

Interest and dividend income arising on financial assets at fair value through profit or loss for shareholder assets is recognised and disclosed separately in the income statement. The interest and dividend income arising from the policyholder investment contracts and consolidated collective investment schemes is recognised within net income attributable to investment contract holders and third-party liabilities in the income statement.

Annexure A – Detailed accounting policies

for the year ended 28 February 2021

10. Financial assets (continued)

10.2 Recognition and measurement of financial assets (continued)

When applicable, the group measures the fair value of an instrument using the quoted price in an active market for that instrument. The fair values of quoted investments are based on current stock exchange prices at the close of business on the statement of financial position date. If the market for a financial asset is not active, or if it is unquoted, the group establishes fair value by using valuation techniques. These include the use of recent arm's-length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis refined to reflect the issuer's specific circumstances, premium/discount to net asset value and PE techniques. The group's main valuation techniques incorporate all factors that market participants would consider and make maximum use of observable market data.

The existence of published price quotations in an active market is the best evidence of fair value. The phrase 'quoted in an active market' means that quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis.

Readily available means that the pricing information is currently accessible and regularly available means that transactions occur with sufficient frequency to provide pricing information on an ongoing basis.

It is not necessary for quoted prices to be obtained from regulated markets. Prices can be obtained from other sources, although the available information may vary. For example, some industry groups or pricing services publish price information about certain instruments, while little or no information may be available about prices of other instruments.

An entity is not generally required to perform an exhaustive search for price information, but should consider any information that is publicly available, or that can be obtained reasonably from brokers, industry groups, publications of regulatory agencies or similar sources, such as journals and websites. It should be noted that these prices may be indicative prices only. It should not be assumed that these prices reflect the price in an active market.

Sources from which prices can be obtained (to qualify as 'quoted') include:

- Regulated exchange (e.g. JSE, BESA, SAFEX)
- Company secretary, transfer secretary or website
- Brokers
- Daily newspapers and related sources (e.g. Business Day, Bloomberg)

Financial assets classified as at amortised cost are measured at amortised cost using the effective interest method, less any impairment, with income recognised on an effective yield base.

The group does not apply hedge accounting.

10.3 Impairment of financial assets

The group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost.

Expected credit losses are a probability-weighted estimate of credit losses and are measured as the present value of all cash short falls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the group expects to receive).

The impairment methodology applied depends on whether there has been a significant increase in credit risk. The group determines whether the credit risk on a financial instrument has increased significantly by comparing this risk of default occurring on the financial instrument as at the reporting date with the risk of default occurring on the financial instrument as at the date of initial recognition together with reasonable and supporting information that indicates a significant increase in credit risk since initial recognition.

10. Financial assets (continued)

10.3 Impairment of financial assets (continued)

If there is no indication that there has been a significant increase in a financial instrument's credit risk since initial recognition, the loss allowance is measured at an amount equal to the 12-month expected credit loss. However, if the credit risk on a financial instrument has increased significantly since initial recognition, the loss allowances are measured at an amount equal to lifetime expected credit losses. Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, whereas 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The expected credit loss is calculated as the unbiased, probability weighted amount which is determined by evaluating the range of reasonably possible outcomes, the time value of money and considering all reasonable and supportable information including that which is forward-looking.

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

An impairment gain or loss is recognised in profit or loss for the amount of expected credit losses (or reversals) that is required to adjust the loss allowance at the reporting date.

The gross carrying amount of a financial asset is written off and reduced when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

10.4 Derecognition of financial assets

Financial assets are derecognised when the right to receive cash flows from the financial asset has expired or has been transferred, and the group has transferred substantially all risks and rewards of ownership. The group also derecognises a financial asset when the group retains the contractual rights of the assets but assumes a corresponding liability to transfer these contractual rights to another party and thereby transfers substantially all the risks and benefits associated with the asset.

10.5 Investment in investment contracts

These are valued at the fair value of the underlying investments supporting the investment contract policy. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period.

11. Derivative financial instruments

Derivative financial instruments are recognised initially at fair value on the date on which a derivative contract is entered into. Subsequent to initial recognition, derivative financial instruments are measured at fair value through profit or loss. Fair values of OTC derivatives are obtained using valuation techniques, including discounted cash flow models and option pricing models.

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only observable market data.

12. Receivables

Receivables are amounts due for services performed in the ordinary course of business. Receivables are initially measured at fair value and subsequently recognised at amortised cost using the effective interest rate method, less provision for impairment. Under IFRS 9, the group applies the simplified approach to calculate the provision for impairment, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The movement in the amount of the provision is recognised in profit or loss. If collection is expected within one year or less, they are classified as current assets.

12.1 Insurance receivables

Insurance receivables are amounts due from clients for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Insurance receivables are recognised when due. Refer to accounting policy note 16(ix) for the group's insurance receivables impairment policy.

Annexure A – Detailed accounting policies

for the year ended 28 February 2021

13. Contracts for difference (CFD)

The group enters into contracts for difference with clients whereby the group provides leveraged exposure to equities specified by the client. CFD exposure is limited to the JSE Top 100 shares and Satrix exchange-traded funds (ETFs). The client pays an initial margin of between 15% (for JSE Top 40 shares and Satrix ETFs) and 17.5% (for JSE Top 41 – 100 shares) of the value of the equities. Margin calls are made for the full value of any decrease in value of the equities on a daily basis.

CFD positions with clients are funded with equal and opposite CFD positions with other financial institutions. External funding is only used on an intraday basis to purchase the underlying equity positions which are then delivered to the financial institution, at the end of each business day, for settlement of the intraday funding provided. The CFD positions are classified as financial assets or liabilities at fair value through profit or loss.

The group is contractually bound to pay out or recover any fair value adjustments from the parties entering into the CFD, based on the fair value movement of the specified listed equities invested in for the client.

14. Cash and cash equivalents (including money market funds)

Cash and cash equivalents consist of cash held at call with banks and other short-term highly liquid investments with maturities of three months or less. Investments in money market funds are classified as cash equivalents, since these funds are held to meet short-term cash requirements, are highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are included within borrowings in the statement of financial position.

15. Insurance and investment contracts – classification

The group issues contracts that transfer insurance risk, financial risk or both.

A distinction is made between investment contracts (which fall within the scope of the financial instruments standards and insurance contracts (where the FSV method continues to apply, subject to certain requirements specified in IFRS 4 – Insurance Contracts). A contract is classified as insurance where the group accepts significant insurance risk by agreeing with the policyholder to pay benefits if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary. Significant insurance risk exists where it is expected that, for the duration of the policy or part thereof, policy benefits payable on the occurrence of the insured event will exceed the amount payable on early termination before allowance for expense deductions at early termination. Once a contract has been classified as an insurance contract, the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during this period. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating, credit index or other variable provided, in the case of a non-financial variable, that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. These contracts are measured at the fair value of the corresponding financial assets.

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).

16. Insurance contracts

Policyholder contracts that transfer significant insurance risk are classified as insurance contracts.

Insurance contracts are classified into two categories, depending on the duration of or type of insurance risks, namely short-term and long-term insurance contracts.

Short-term insurance

Short-term insurance provides benefits under short-term policies, which include property, business interruption, transportation, motor, personal all risk, accident and health, professional indemnity, public liability, marine, employers' liability, group personal accident, natural disasters and miscellaneous. Short-term insurance contracts are further classified into the following categories:

- personal insurance, consisting of insurance provided to individuals and their personal property; and
- commercial insurance, providing cover on the assets and liabilities of business enterprises.

16. Insurance contracts (continued)

Short-term insurance (continued)

Recognition and measurement

i) *Gross written premium*

Gross premiums exclude VAT and other foreign indirect taxes. Premiums are accounted for as income when the risk related to the insurance policy incepts and are spread over the risk period of the contract by using an unearned premium provision. This also includes premiums received in terms of reinsurance agreements. All premiums are shown before deduction of commission payable to intermediaries.

ii) *Claims incurred*

Claims incurred consist of claims and claims handling expenses paid during the financial year and are charged to the income statement as incurred.

iii) *Provision for unearned premium*

Premiums are earned from the date the risk attaches, over the indemnity period, based on the pattern of the risk underwritten. Unearned premiums, which represent the proportion of premiums written in the current year, which relate to risks that have not expired by the end of the financial year, are calculated on a time proportionate basis for even risk contracts and other bases that best represent the unearned risk profile for uneven risk contracts. The group has predominantly even risks contracts.

iv) *Provision for unexpired risk*

Provision is made for underwriting losses that may arise from unexpired risks when it is anticipated that unearned premiums will be insufficient to cover future claims, as well as claims handling fees and related administrative costs. This liability adequacy test is performed annually to ensure the adequacy of short-term insurance liabilities.

v) *Provision for claims*

Provision is made on a prudent basis for the estimated final cost of all claims that have not been settled by the reporting date, less amounts already paid. Claims and loss adjustment expenses are charged to income as incurred, based on the estimated liability for compensation owed to the beneficiaries (contract holders or third parties damaged by the contract holders) of the insurance contracts. They include direct and indirect claims settlement costs and assessment charges and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the group. The group does not discount its claim provision for unpaid claims other than for disability claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the group and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions). The group's own assessors or external assessors individually assess claims.

vi) *Provision for claims incurred but not reported (IBNR)*

Provision is also made for claims arising from insured events that occurred before the close of the reporting period, but which had not been reported to the group by that date. The provision is based on a best estimate liability plus an adjustment for risk (where sufficient historical data is available). Refer to the other accounting estimates and judgements in applying accounting policies section of the detailed accounting policies for further detail.

vii) *Deferred acquisition costs (DAC)*

Commissions that vary with and are related to securing new contracts and renewing existing contracts are deferred over the period in which the related premiums are earned, and recognised as a current asset. All other costs are recognised as expenses when incurred.

Annexure A – Detailed accounting policies

for the year ended 28 February 2021

16. Insurance contracts (continued)

Short-term insurance (continued)

Recognition and measurement (continued)

viii) Reinsurance contracts held

Contracts entered into by the group with reinsurers under which the group is compensated for losses on one or more contracts issued by the group and that meet the classification requirements for insurance contracts, are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Income received from insurance contracts entered into by the group under which the contract holder is another insurer (inwards reinsurance) is included in premium income.

The benefits to which the group is entitled under its reinsurance contracts held are classified as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within receivables including insurance receivables) on settled claims, as well as estimates (classified as reinsurance assets) that are calculated based on the gross outstanding claims and IBNR provisions. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when incurred.

The reinsurer's share of unearned premiums represents the portion of the current year's outward reinsurance premiums that relate to the risk periods covered by the related reinsurance contracts extending into the following year. The reinsurer's share of unearned premium is calculated using the 365th method.

Income from reinsurance contracts ceded, that varies with and is related to obtaining new reinsurance contracts and renewing existing reinsurance contracts, is deferred over the period of the related reinsurance contract and is recognised as a current liability.

The group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in profit or loss.

ix) Receivables and payables related to insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, intermediaries and insurance contract holders, and are included under receivables including insurance receivables and trade and other payables.

If there is objective evidence that the insurance receivable is impaired, the group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss. A provision for impairment is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

x) Salvage reimbursements

Some insurance contracts permit the group to sell (usually damaged) property acquired in settling a claim (i.e. salvage). The group may also have the right to pursue third parties for payment of some or all costs (i.e. subrogation). Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as an allowance in determining the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

16. Insurance contracts (continued)

Long-term insurance

These contracts are valued in terms of the FSV basis contained in SAP 104 issued by the Actuarial Society of South Africa and are reflected as insurance contracts' liabilities.

Liabilities are valued as the present value of future cash flows due to benefit payments and administration expenses that are directly related to the contract discounted at the rate of return at year-end on the assets backing the policyholder funds. Future cash flows are projected on a best estimate basis with an allowance for compulsory margins for adverse deviations as prescribed by SAP 104. Best estimate assumptions are required for future investment returns, expenses, persistency, mortality and other factors that may impact the financial position of the group. As per SAP 104, contractual premium increases are allowed for, but future voluntary premium increases are ignored.

In addition, certain discretionary margins are created to allow profits to emerge over the lifetime of the policy to reflect the small number of policies and associated volatility. Where the number of policies is small, the prescribed margins alone do not result in an acceptable probability of the total reserve being sufficient to meet all liabilities.

The financial soundness methodology includes allowance for liability adequacy testing to ensure that the carrying amount of technical provisions is sufficient in view of estimated future cash flows. Where a shortfall is identified, an additional provision is made.

The group reflects premium income relating to insurance business on a gross basis together with the gross amount of any reinsurance premiums. All premiums are accounted for when they become due and payable.

The group shows the gross amount of policyholder benefit payments in respect of insurance contracts together with the gross reinsurance recoveries and accounts for such transactions when claims are intimated.

Claims on long-term insurance contracts, which include death, disability, maturity, surrender and annuity payments, are charged to income when notified of a claim based on the estimated liability for compensation owed to policyholders. Outstanding claims are recognised in insurance and other payables. Reinsurance recoveries are accounted for in the same period as the related claim.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

17. Financial liabilities

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

Financial liabilities include borrowings, derivative financial liabilities, investment contracts, third-party liabilities arising on consolidation of mutual funds and trade and other payables. The group issues investments contracts without fixed terms (unit-linked) and with fixed and guaranteed terms (fixed-interest rate).

Financial liabilities are initially recognised at fair value less transaction costs that are directly attributable to the raising of the funds, for all financial liabilities carried at amortised cost. All financial liabilities measured at fair value through profit or loss are initially recognised at fair value. The best evidence of the fair value at initial recognition is the transaction price (i.e. the fair value of the consideration received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets.

Financial liabilities at fair value through profit or loss are subsequently measured at fair value, with any resultant gains and losses recognised in the income statement. The net gain or loss recognised in the income statement incorporates any measurement gains or losses and interest expense on the financial liability. These financial liabilities are classified as current liabilities if they are either held for trading or expected to be settled within 12 months of the reporting date.

Third-party financial liabilities on consolidation of mutual funds are effectively demand deposits of external investors' interests in consolidated mutual funds and are consequently measured at fair value, which is the quoted unit values as derived by the fund administrator with reference to the rules of each particular fund. Fair value gains or losses are recognised in profit or loss.

Annexure A – Detailed accounting policies

for the year ended 28 February 2021

17. Financial liabilities (continued)

Financial liabilities, or a portion thereof, are derecognised when the obligation specified in the contract is discharged, cancelled or expired. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and settlement amounts paid are included in the income statement.

Financial liabilities are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

The group uses its own credit risk spreads in determining the current value for its derivative liabilities and all other liabilities for which it has elected the fair value option. When the group's credit spreads widen, the group recognises a gain on these liabilities because the value of the liabilities has decreased. When the group's credit spreads narrow, the group recognises a loss on these liabilities because the value of the liabilities has increased.

17.1 Investment contracts

The fair value of a unit-linked financial liability is determined using the current unit price reflecting the fair values of the financial assets contained within the group's unitised investment funds linked to the financial liability, multiplied by the number of units attributed to the policyholder at a reporting date. No initial profit is recognised immediately as any profit on initial recognition is amortised in line with cash flow projections over the life of the contract.

For investment contracts with fixed and guaranteed terms, the amortised cost basis is used. In this case, the liability is initially measured at its fair value less transaction costs that are incremental and directly attributable to the acquisition or issue of the contract.

Subsequent measurement of investment contracts at amortised cost uses the effective interest method. This method requires the determination of an interest rate (the effective interest rate) that exactly discounts to the net carrying amount of the financial liability, the estimated future cash payments or receipts through the expected life of the financial instrument.

All other investment contract liabilities are designated on initial recognition at fair value through profit or loss. This designation significantly reduces a measurement inconsistency that would otherwise arise if these financial liabilities were not measured at fair value, since the assets held to back the investment contract liabilities are also measured at fair value.

The liability under investment contracts is derecognised when the contract expires, is discharged or is cancelled by the policyholder. For a contract that can be cancelled by the policyholder, the fair value cannot be less than the surrender value.

17.2 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

17.3 Trade and other payables

Trade and other payables are recognised when the group has a present obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits from the group. Trade and other payables are recognised initially at fair value, net of transaction costs incurred. Trade and other payables are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period using the effective interest method. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Insurance payables are obligations to pay for services that have been acquired in the ordinary course of business and include amounts due from agents, intermediaries and insurance contract holders. Insurance payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Insurance payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

18. Deferred revenue liability (DRL)

Service fee income on investment management contracts is recognised on an accrual basis as and when the services are rendered. A DRL is recognised in respect of upfront fees, which are directly attributable to a contract that is charged for securing the investment management service contract. The DRL is then amortised to revenue when the services are provided, over the expected duration of the contract on a straight-line basis. The amount of the DRL that is amortised in the next financial year will be classified as current assets and the rest of the DRL will be classified as non-current assets. Refer to accounting policy note 27 for the group's revenue recognition policy.

19. Stated capital and treasury shares

Stated capital represented the par value of ordinary shares issued, being classified as equity. During the 2014 financial year, the ordinary shares were converted to no par value shares, resulting in share capital and share premium being transferred to stated share capital.

Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

Treasury shares

The cost of treasury shares acquired are debited to the treasury share reserve, and upon disposal of such shares, the reserve is credited with the weighted average calculated cost attributable to the shares disposed of.

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the company's equity holders, net of any directly attributable incremental transaction costs and the related income tax effects. Any net income in relation to treasury shares (both fair value movements and dividends) is eliminated from group profits for the year. The number of shares in the earnings per share calculation is reduced for treasury shares held during the period on a weighted average basis.

Share trust

Certain of the group's remuneration schemes are operated through the PSG Konsult Group Share Incentive Trust. The share trust is considered to be a SPE controlled by the group and is therefore consolidated.

The shares purchased by the share trust are considered to be treasury shares and are treated in accordance with the group's policy for treasury shares.

20. Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the group's subsidiaries, associated companies and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Annexure A – Detailed accounting policies

for the year ended 28 February 2021

20. Current and deferred income tax (continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and joint ventures, except where the group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

20.1 Dividend withholding tax (DWT)

DWT is levied on the shareholders (or beneficial owners) receiving the dividend. Shareholders are subject to DWT on dividends received, unless they are exempt in terms of the amended tax law. DWT is levied at 20% of the dividend received. The DWT is categorised as a withholding tax, as the tax is withheld and paid to tax authorities by the company paying the dividend or by a regulated intermediary and not the beneficial owner of the dividend. Where a non-exempt group company is a beneficial owner of the dividend, the DWT is recorded as an expense in the income statement when the dividend income is earned.

21. Trust and fiduciary activities

The group acts as a trustee or in other fiduciary capacities that result in the holding, placing or managing of assets for the account of and the risk of clients. As these are not the assets of the group, they are not reflected on the statement of financial position.

22. Employee benefits

22.1 Pension obligations

The group only has defined contribution plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

22.2 Other post-retirement benefits

The group offers no other post-retirement benefits.

22.3 Share-based compensation

The group grants share options to certain employees under an equity-settled share-based compensation scheme.

The share-based compensation scheme is treated on a PSG Konsult subsidiary level as a cash-settled share-based compensation scheme. The accounting treatment of the cash-settled share-based compensation scheme by the subsidiaries is reversed on consolidation and replaced with the equity-settled share-based compensation scheme.

22. Employee benefits (continued)

22.3 Share-based compensation (continued)

The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense in the income statement, with the corresponding increase in a share-based payment reserve in the statement of changes in equity and represents the fair value at grant date of the share options that will be delivered on vesting. The total amount to be expensed over the vesting period, which is five years, is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of share options that are expected to become exercisable. At each reporting date, the entity revises its estimates of the number of share options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity.

On a group level, the deferred income tax and income tax charge relating to the expense are limited to the actual equity-settled share-based scheme expense, and the excess deferred income tax and income tax charge relating to the subsidiaries are recognised in equity. When the share options have vested, the relevant amount recognised in equity for the employee services, up to the vesting date, and the related deferred income tax and income tax are transferred from the share-based payment reserve to retained earnings through an equity transfer. On exercise of the equity-settled share-based payment, any proceeds received are credited to stated capital. The difference between the market value of the shares transferred to the option holder on exercise date and strike price paid by the option holder is recognised in equity as part of the share-based payment reserve. If the market value of the shares transferred to the option holder is greater than the strike price paid, it would result in a decrease in the share-based payment reserve; if the market value of the shares transferred to the option holder is less than the strike price paid, it would result in an increase in the share-based payment reserve.

The fair value is determined by using the Black-Scholes valuation model for share options issued prior to 1 March 2019, and using a Modified Binomial Tree model for share options issued subsequent to this date. The assumptions used to determine the fair value are detailed in note 14 to the group financial statements.

If the group cancels or settles a grant of equity instruments during the vesting period, the group accounts for the cancellation or settlement of the grant and recognises immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

22.4 Annual leave

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated annual leave as a result of services rendered by employees up to the reporting date.

22.5 Profit sharing and bonus plans

The group recognises a liability and an expense for bonuses and profit sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The group recognises a provision where contractually obliged, or where there is a past practice that has created a constructive obligation.

22.6 Termination benefits

Termination benefits are employee benefits payable as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits. The group recognises these termination benefits when the group is demonstrably committed either to terminating the employment of an employee or group of employees before the normal retirement date, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. The group is demonstrably committed to a termination when the group has a detailed formal plan (with specified minimum contents) for the termination and it is without realistic possibility of withdrawal. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. Where termination benefits fall due more than 12 months after the reporting period, they are discounted. In the case of an offer made to encourage voluntary redundancy, 12 months after the reporting period, they are discounted. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. In the case of an offer made to encourage voluntary redundancy, benefits are immediately recognised as an expense.

Annexure A – Detailed accounting policies

for the year ended 28 February 2021

23. Provisions, contingent liabilities and assets

23.1 Provisions

Provisions are recognised when:

- the group has a present legal or constructive obligation, which has uncertain timing or amount, as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

23.2 Contingent liabilities and assets

A contingent liability is either a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group or a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. These contingent liabilities are not recognised in the statement of financial position, but disclosed in the notes to the financial statements.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. These contingent assets are not recognised in the statement of financial position, but are disclosed in the notes to the financial statements if the inflow of financial benefits is probable.

24. Leases

Under IFRS 16 leases are recognised as a lease liability and corresponding right-of-use asset at the date which the leased asset is available for use by the company.

The group leases various corporate and adviser offices, the terms and conditions of which are negotiated on an individual basis. 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.

Extension and termination options are included in a number of leases across the group. These terms are used to maximise operational flexibility in terms of managing contracts. 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.

Lease liability

The lease liability is initially measured at the present value of the following lease payments:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the company under residual value guarantees;
- the exercise price of purchase options, if the company is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

Lease agreements may contain both lease and non-lease components. The group elected not to separate lease and non-lease components, for leases of buildings for which the group is a lessee, and instead accounts for these as a single lease component.

24. Leases (continued)

Lease liability (continued)

The lease payments are discounted using the interest rate implicit in the lease. If this rate cannot be readily determined, which is the case for leases in the group, the lessee's incremental borrowing rate is used. The incremental borrowing rate is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the group:

- uses recent third-party financing received by the companies within the group as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received; and
- makes adjustments specific to the lease, e.g. term, credit standing, economic environment and security.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

Right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the company incurs an obligation to do so; and
- less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

The depreciation charge for each year is recognised in profit or loss.

Deferred income tax

The deferred income tax on leases has been accounted for by considering the lease liability and right-of-use assets separately. This gives rise to temporary differences on initial recognition on which deferred income tax has been recognised.

25. Assets and liabilities held for sale

Assets and liabilities are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered to be highly probable. Assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

26. Dividend distributions

Dividend distributions to the company's shareholders are recognised as a liability in the period in which the dividends are approved by the company's board of directors.

27. Revenue from contracts with customers

Revenue comprises the fair value of the consideration received or receivable for services rendered in the ordinary course of the group's activities. The group's activities include financial advice, stockbroking, fund management, financing and the issue of short-term and long-term insurance contracts.

Revenue is shown net of value-added tax, returns, rebates, discounts and after eliminating sales within the group.

Annexure A – Detailed accounting policies

for the year ended 28 February 2021

27. Revenue from contracts with customers (continued)

Revenue type	Description	Recognition and measurement
Commission, policy administration and other fees	Revenue arising from advisory and portfolio management activities (including commission, management fees, performance fees and administration fees)	Commission: Commission is recognised as services are rendered. In terms of IFRS 15, these commissions are recognised either at a point in time or over time, depending on when the performance obligations are satisfied. This is predominantly earned by the group through its network of financial advisers that provide financial advisory services (which typically includes, but is not limited to, financial planning, investment advice and portfolio management) to clients on an ongoing basis. This commission is predominantly based on the value of assets managed on behalf of clients and the fee rate stipulated in the client agreement.
		Management fees: Management fees on assets under management are recognised over the period for which the services are rendered, in accordance with the substance of the relevant agreements. All management fees are recognised over time based on the assets under management.
		Performance fees: Performance fees are earned, over and above management fees, on superior fund performance which exceeds specific agreed targets (typically market-related benchmarks) and are recognised when the performance obligation has been satisfied. Performance fees are recognised over time based on the assets under management. Performance fees include variable consideration and therefore revenue is recognised only to the extent that it is highly probable that no significant revenue reversal will occur.
		Administration fees: Administration fees are earned for the continuous administration of policyholder investment contracts and short-term insurance policies on behalf of clients in accordance with the terms and the substance of the relevant agreements as follows: • Administration fees earned on policyholder investment contracts (which relates to the group's linked life investment business) are based on the assets administered on behalf of clients. • Administration fees earned on short-term insurance policies are based on the premium value of insurance policies administered on behalf of clients. Administration fees are determined using the values indicated above and the fee rate stipulated in the client agreement. Administration fees are earned over time with the exception of upfront fees earned on single premium investment contracts in certain instances. The consideration received for these policies is deferred as a liability and recognised over the life of the contract on a straight-line basis.
Dealing and structuring	Revenue arising from stockbroking activities (including brokerage, custodian fees, settlement fees, income from dealing in listed securities)	Revenue relating to stockbroking activities is recognised as services are rendered, by reference to the completion of the specific transaction. In terms of IFRS 15, this revenue is recognised either at a point in time or over time, depending on when the performance obligations are satisfied. The fee income earned from providing stockbroking services includes brokerage, custodian fees and settlement fees. The brokerage and settlement fees are recognised at a point in time as these fees are earned from assisting clients with specific transactions on their portfolios. The remainder of the fees are recognised over time with reference to the contract terms.

27. Revenue from contracts with customers (continued)

Revenue is recognised either when the performance obligation has been satisfied ('point in time') or when control of the goods or service is transferred to the customer ('over time'). This requires an assessment of the group and company's performance obligations and of when control is transferred to the customer. Where revenue is recognised over time, this is in general due to the group and company performing and the customer simultaneously receiving and consuming the benefits over the life of the contract as services are rendered on a continuous basis.

For revenue recognised over time, and provided the group meets the specific requirements, the group accounts for each service type contained in agreements with clients as a single performance obligation in accordance with IFRS 15.22(b), because it is providing a series of distinct services that are substantially the same and have the same pattern of transfer (the services transfer to the customer over time and use the same method to measure progress – that is, a time-based measure of progress as an input method). Where the group enters into agreements with clients to provide multiple services, the fee is separately disclosed in the agreement for each service and revenue is recognised using these stand-alone prices.

For each performance obligation over time, the group (as an advice-focused business) and company apply a time-based revenue recognition method that faithfully depicts the group and company's performance in transferring control of the service to the customer. Due to the nature of the group's business, with services being provided to clients on an ongoing basis, which includes being available to provide financial advisory and administrative services to clients at all times, the majority of its revenue from contracts with customers is considered to be recognised over time. If performance obligations in a contract do not meet the over time criteria, the group recognises revenue at a point in time.

Revenue is measured based on the consideration specified in contracts with customers, excluding amounts collected on behalf of third parties and including an assessment of any variable consideration dependent on the achievement of agreed KPIs. Such amounts are only included based on the expected value or most likely outcome method, and only to the extent that it is highly probable that no significant revenue reversal will occur. In assessing whether a significant reversal will occur, the group considers both the likelihood and the magnitude of the potential revenue reversal.

28. Investment income

Interest income

For financial instruments measured at amortised cost, interest income is recognised using the effective interest method and disclosed as interest income on amortised cost financial instruments in the income statement for shareholder assets.

Interest income on financial instruments measured at fair value through profit or loss for shareholder assets is recognised within interest income on fair value through profit or loss financial instruments.

Interest income arising from the policyholder investment contracts and consolidated collective investment schemes is recognised within net income attributable to investment contract holders and third-party liabilities in the income statement.

Dividend income

Dividend income is recognised when the right to receive payment is established. Dividend income is separately disclosed in the income statement for shareholder assets.

Dividend income arising from the policyholder investment contracts and consolidated collective investment schemes is recognised within net income attributable to investment contract holders and third-party liabilities in the income statement.

29. Managed funds activities

Certain companies within the group operate unit trusts and hold and invest funds on behalf of clients. Assets and liabilities representing such activities are not reflected on the statement of financial position, as these relate directly to clients. The values of these items are disclosed in the notes. Income from these activities is brought to account over the period to which the service relates.

30. Other accounting estimates and judgements in applying accounting policies

The group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

30.1 Fair value of derivatives and other unlisted financial instruments

The fair value of financial instruments that are trading on recognised OTC platforms is based on the closing bid price and classified as quoted instruments. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques as disclosed in the policy relating to financial assets. Please refer to accounting policy regarding derivative financial instruments for further detail regarding fair value valuation techniques. The assumptions used in these valuation techniques are described as part of the fair value hierarchy analysis included in note 37.

Annexure A – Detailed accounting policies

for the year ended 28 February 2021

30. Other accounting estimates and judgements in applying accounting policies (continued)

30.2 Investment contracts

The group issues a significant number of investment contracts that are designated as at fair value through profit or loss. These financial instruments are not quoted in active markets, and their fair values are determined by using valuation techniques. Such techniques (for example, valuation models) are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are validated before they are used and calibrated to ensure that outputs reflect actual experience and comparable market prices. The investment contract liabilities held at fair value are fully matched with the underlying assets. As such, the fair value of the investment contract liabilities is determined with reference to the fair value of the underlying asset. The carrying amount of the investment contract liabilities is R30.7 billion (2020: R26.7 billion).

30.3 Short-term insurance liabilities

One of the purposes of insurance is to enable policyholders to protect themselves against uncertain future events. Insurance companies accept the transfer of uncertainty from policyholders and seek to add value through the aggregation and management of these risks. The uncertainty inherent in insurance is inevitably reflected in the financial statements of the insurance company, principally in respect of the insurance liabilities of the company.

Process to determine significant assumptions

Insurance risks are unpredictable and the group recognises that it is not always possible to forecast, with absolute precision, future claims payable under existing insurance contracts. Over time, the group has developed a methodology that is aimed at establishing insurance provisions that have an above-average likelihood of being adequate to settle all its insurance obligations.

i) *Unearned premiums*

Unearned premiums represent the amount of income set aside by the group to cover the cost of claims that may arise during the unexpired period of risk of insurance policies in force at the reporting date.

The group raises provisions for unearned premiums on a basis that reflects the underlying risk profile of its insurance contracts. An unearned premium provision is created at the commencement of each insurance contract and is released as the risk covered by the contract expires. The group's insurance contracts have an even risk profile. Therefore, the unearned premium provision is released evenly over the period of insurance using a time proportion basis.

The provisions for unearned premiums are first determined on a gross level and thereafter the reinsurance impact is recognised. Deferred acquisition costs and reinsurance commission revenue are recognised on a basis that is consistent with the related provisions for unearned premiums.

ii) *Unexpired risk provision*

If the expected value of claims and expenses attributable to the unexpired periods of policies in force at the statement of financial position date exceeds the unearned premiums provision in relation to those policies, after deduction of any deferred commission expenses, management assesses the need for an unexpired risk provision (estimated future underwriting losses relating to unexpired risks).

The need for an unexpired risk provision is assessed on the basis of information available at the reporting date. Claims events occurring after the statement of financial position date in relation to the unexpired period of policies in force at that time are not taken into account in assessing the need for an unexpired risk provision.

Management will base the assessment on the expected outcome of those contracts, including the available evidence of claims experience on similar contracts in the past year, as adjusted for known differences, events not expected to recur, and the normal level of seasonal claims.

30. Other accounting estimates and judgements in applying accounting policies (continued)

30.3 Short-term insurance liabilities (continued)

Process to determine significant assumptions (continued)

iii) Outstanding claims

Outstanding claims represent the company's estimate of the cost of settlement of claims that have occurred and were reported by the reporting date, but that have not yet been finally settled.

Claims provisions are determined based on previous claims experience, knowledge of events, the terms and conditions of the relevant policies and the interpretation of circumstances. Each notified claim is assessed on a separate case-by-case basis with due regard for the specific circumstances, information available from the insured and/or loss adjuster and past experience with similar cases and historical claims payment trends. The approach also includes the consideration of the development of loss payment trends, the levels of unpaid claims, legislative changes, judicial decisions and economic conditions. The group employs people experienced in claims handling and rigorously applies standardised policies and procedures to claims assessment.

The ultimate cost of reported claims may vary as a result of future developments or better information becoming available about the current circumstances. Therefore, case estimates are reviewed regularly and updated when new information becomes available.

The provision for outstanding claims is initially estimated at a gross level. A separate calculation is carried out to estimate reinsurance recoveries. The calculation of reinsurance recoveries considers the type of risk underwritten, the year in which the loss claim occurred and under which reinsurance programme the recovery will be made, the size of the claim and whether the claim was an isolated incident or formed part of a catastrophe reinsurance claim.

iv) Claims incurred but not reported

Provisions need to be held for the eventual outcome of open claims that have occurred but have not been reported to the insurer by the reporting date.

The company utilises its own actuarial models to determine the appropriate amount of provision to hold, taking into account the nature, scale and complexity of the business. Each class of business is placed into homogeneous groups and modelled separately to determine the best estimate liability (probability-weighted mean) to be held, based on historic data and expert judgement. Where necessary, business of similar nature with insufficient claims detail is accounted for by extrapolating to the entire population in proportion to gross premium. The basic technique involves analysing the historical delay between loss events and the ultimate finalisation of these events to determine estimated development factors based on this historical pattern. The selected development factors are applied to cumulative internal claims data for each accident quarter that is not yet fully developed to produce an estimated ultimate claims cost per accident quarter.

The provision is modelled on a gross basis with a related reinsurance asset recognised based on a proportion of reinsurance purchased for each portfolio and business line. Prudence is maintained on the net provision by including a separate risk adjustment. To obtain this adjustment, a stochastic chain-ladder model is utilised to perform numerous simulations and, in doing so, obtain a distribution of the ultimate claims cost. The risk adjustment is determined as being the additional funds required so that the IBNR provision will be sufficient at the 75th to 80th percentile of the ultimate cost distribution.

Where data is deemed not to be sufficient and the business is different in nature to the modelled groups, the company makes use of the minimum prescribed requirements provided by the applicable regulatory body.

30.4 Money market funds

Cash and cash equivalents disclosed on the statement of financial position include investments in money market funds, being short-term, highly liquid investments with maturities of three months or less. Money market funds are classified as cash equivalents, since these funds are held to meet short-term cash requirements, are highly liquid investments, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The underlying instruments in the money market funds are mainly (> 80%) issued credit papers of South Africa's top six banks, all of which had a Moody's short-term national rating of P1(ZA) on 28 February 2021 (29 February 2020: P1(ZA)) or government treasury bills. The classification of money market funds as cash equivalents is only judgemental for purposes of disclosure and judgement applied could not have any impact on disclosed carrying value of assets or liabilities.

Annexure B – Interests in subsidiaries

for the year ended 28 February 2021

Investment in subsidiaries

Subsidiary	Country of incorporation	Nature of business
PSG Wealth Holdings Proprietary Limited	South Africa	Investment holding company
PSG Securities Limited	South Africa	Stockbroking
PSG Scriptfin Proprietary Limited	South Africa	Securitised lending business
PSG Multi Management Proprietary Limited	South Africa	Multi-manager
PSG Life Limited	South Africa	Linked insurance company
PSG Invest Proprietary Limited	South Africa	LISP functionality
PSG Distribution Holdings Proprietary Limited	South Africa	Investment holding company
PSG Wealth Financial Planning Proprietary Limited	South Africa	Financial, investment planning, advice and stockbroking
PSG Trust Proprietary Limited	South Africa	Trust and fiduciary services
PSG Employee Benefits Limited	South Africa	Healthcare, brokerage and administration
PSG Corporate Financial Planning Proprietary Limited	South Africa	Healthcare, brokerage and employee benefits
Nhluvuko Risk Administration Proprietary Limited ²	South Africa	Administration
PSG Namibia Proprietary Limited	Namibia	Investment management, insurance and investment brokers, financial planning and advice
PSG Insure Holdings Proprietary Limited	South Africa	Investment holding company
Western Group Holdings Limited	Namibia	Investment holding company with investment in two short-term insurance companies
Western National Insurance Company Limited (Namibia)	Namibia	Short-term insurance company focusing on commercial and agricultural markets
Western National Insurance Company Limited (South Africa)	South Africa	Short-term insurance company focusing on commercial and agricultural markets
Hi-Five Corporate Finance Proprietary Limited	Namibia	Debtor financing
Born Free Investments 487 Proprietary Limited ²	South Africa	Property investment company
Western Administration Services Proprietary Limited	South Africa	Group administration services
Western Insurance Botswana Proprietary Limited ³	Botswana	Short-term insurance company
Western Life Insurance Botswana Proprietary Limited ³	Botswana	Long-term insurance company
Western National Engineering Insurance Proprietary Limited	South Africa	Short-term underwriting business

¹ Ownership interest equal voting rights.

² The company has been liquidated during the 2021 financial year.

³ These companies have been classified as held for sale at 28 February 2021.

Effective interest held directly or indirectly ¹		Issued stated/share capital		Cost of investment	
2021 %	2020 %	2021 R	2020 R	2021 R000	2020 R000
100	100	508 999 120	508 999 120	495 225	495 225
100	100	4 738	4 738	-	-
100	100	200	200	-	-
100	100	121	121	-	-
100	100	305 500	305 500	-	-
100	100	20 500 100	20 500 100	-	-
100	100	816 486 372	816 486 372	599 775	599 775
100	100	113	113	-	-
100	100	111	111	-	-
74	74	1 962	1 962	-	-
74	74	100	100	-	-
-	74	-	100	-	-
58	58	300 000	300 000	-	-
100	100	103	103	230 604	230 604
100	100	80 540 385	80 540 386	-	-
100	100	146 600	146 600	-	-
60	60	810	810	-	-
100	100	100	100	-	-
-	100	-	101	-	-
100	100	200	200	-	-
100	100	2	2	-	-
100	100	2	2	-	-
100	100	100	100	-	-

Annexure B – Interests in subsidiaries

for the year ended 28 February 2021

Investment in subsidiaries (continued)

Subsidiary	Country of incorporation	Nature of business
PSG Asset Management Holdings Proprietary Limited	South Africa	Investment holding company
PSG Asset Management Proprietary Limited	South Africa	Local management company
PSG Asset Management Group Services Proprietary Limited	South Africa	Provision of corporate, financial administrative and advisory services
PSG Collective Investments (RF) Limited	South Africa	Local unit trusts
PSG Fund Management (CI) Limited	Guernsey	Offshore unit trusts
PSG Malta Holdings Proprietary Limited	Malta	Investment holding company
PSG Fund Management (Malta) Limited	Malta	Offshore unit trusts
Other		
PSG Management Services Proprietary Limited	South Africa	Provision of corporate financial administrative and advisory services
PSG Konsult MS (UK) Limited	United Kingdom	Provision of corporate financial administrative and advisory services
PSG Konsult Treasury Limited	South Africa	Centralised treasury activities for group
Delerus Proprietary Limited	South Africa	Debtor financing
PSG Konsult Group Share Incentive Trust	South Africa	Share trust ²
PSG Konsult (Mauritius) Limited	Mauritius	Investment holding company

¹ Ownership interest equal voting rights.

² PSG Konsult Group Share Incentive Trust consolidated in terms of requirement of IFRS 10 – Consolidated financial statements.

All the subsidiaries of the group are included in the consolidation. The proportion of the voting rights in the subsidiaries held directly do not differ from the proportion of ordinary shares held.

The following dormant or immaterial subsidiaries form part of the group: PSG Nominees Proprietary Limited, PSG Invest Nominees Proprietary Limited, Erf 1070 Ballot Street Proprietary Limited (Namibia), Topexec Management Bureau Proprietary Limited, PSG Konsult Insurance Solutions Proprietary Limited, Allfinanz Board of Executors & Trust Company Proprietary Limited, PSG Wealth Management Namibia Proprietary Limited, PSG Financial Planning Namibia Proprietary Limited, PSG Konsult Securities Proprietary Limited, PSG Konsult Verre-Noord Proprietary Limited, NFA Proprietary Limited, Utrade Nominees Proprietary Limited and PSG Short-Term Insurance Brokers Proprietary Limited.

Effective interest held directly or indirectly ¹		Issued stated/share capital		Cost of investment	
2021 %	2020 %	2021 R	2020 R	2021 R000	2020 R000
100	100	121	121	344 616	344 616
100	100	2 797 121	2 797 121	-	-
100	100	1 351	1 351	-	-
100	100	50 099	50 099	-	-
100	100	102 824	102 824	-	-
100	100	149 276 801	2 088 190	-	-
100	100	13 738 493	2 086 864	-	-
100	100	100	100	-	-
100	100	14	14	-	-
100	100	100	100	-	-
100	100	100	100	-	-
-	-	-	-	1	1
100	100	7 787 740	7 787 740	7 917	7 917
				<u>1 678 138</u>	<u>1 678 138</u>

Annexure B – Interests in subsidiaries

for the year ended 28 February 2021

Consolidated collective investment schemes

At 28 February 2021 and 29 February 2020, the following significant collective investment schemes, managed by PSG Collective Investments (RF) Limited, were subsidiaries of the group:

Collective investment scheme	ASISA classification	Fund manager	Economic interest			
			2021 %	2020 %	2021 R000	2020 R000
PSG Diversified Income Fund	South African – Multi Asset – Income	PSG Asset Management Proprietary Limited	N/A	29	N/A	445 463
PSG Income Fund	South African – Interest Bearing – Short-term	PSG Asset Management Proprietary Limited	42	37	672 517	111 673
PSG Money Market Fund	South African – Interest Bearing – Money Market	PSG Asset Management Proprietary Limited	45	64	1 143 590	2 146 277
PSG Wealth Enhanced Interest Fund	South African – Interest Bearing – Short-term	PSG Multi Management Proprietary Limited	34	30	2 079 899	1 449 956
PSG Wealth Creator Fund of Funds	South African – Equity – General	PSG Multi Management Proprietary Limited	39	38	4 296 080	3 027 627
PSG Wealth Moderate Fund of Funds	South African – Multi Asset – High equity	PSG Multi Management Proprietary Limited	32	32	7 319 969	6 397 249
PSG Wealth Global Creator Feeder Fund	Global – Equity – General	PSG Multi Management Proprietary Limited	28	32	3 027 748	2 459 607
PSG Wealth Global Preserver Feeder Fund	Global – Multi Asset – Low Equity	PSG Multi Management Proprietary Limited	N/A	32	N/A	388 922

Further details of investments are available at the registered offices of the relevant group companies.

Subsidiaries with significant non-controlling interest (NCI)

The following tables summarise the information relating to the group's subsidiaries that have material non-controlling interest, before any intergroup eliminations:

Non-controlling interest in subsidiaries	Western Group		Employee Benefits	
	2021 %	2020 %	2021 %	2020 %
Ownership and voting rights	40	40	26	26

	Carrying value of NCI		Profit or loss attributable to NCI		Dividends paid to NCI	
	2021 R000	2020 R000	2021 R000	2020 R000	2021 R000	2020 R000
Western Group	323 021	259 137	63 883	54 485	-	-
Employee Benefits	15 154	13 767	4 846	4 301	(3 458)	(3 250)
Other ¹	6 024	5 743	2 886	1 818	(2 605)	(1 753)
Total	344 199	278 647	71 615	60 604	(6 063)	(5 003)

¹ Includes information relating to PSG Namibia Proprietary Limited and PSG Konsult Insurance Solutions Proprietary Limited.

Summarised financial information	Western Group		Employee Benefits	
	2021 %	2020 %	2021 R000	2020 R000

Statement of financial position				
Current assets	858 809	970 543	47 201	45 830
Non-current assets	844 006	440 545	38 338	30 669
Current liabilities	(831 340)	(712 411)	(16 548)	(15 824)
Non-current liabilities	(5 541)	(4 534)	(10 600)	(7 621)
Net assets	865 934	694 143	58 391	53 054

Statement of comprehensive income				
Revenue	1 376 041	1 294 614	140 731	135 831
Profit for the year	172 343	133 536	18 637	16 542
Total comprehensive income	171 791	134 571	18 637	16 542

Statement of cash flows				
Cash flows from operating activities	148 767	98 564	23 523	18 348
Cash flows from investing activities	(342 758)	1 970	(2 853)	(197)
Cash flows from financing activities	(2 736)	(4 696)	(17 641)	(15 267)
Net (decrease)/increase in cash and cash equivalents	(196 727)	95 838	3 029	2 884

There are also no significant restrictions on the subsidiaries' ability to transfer funds in the form of cash for the repayment of loans made to the subsidiaries or to pay dividends other than the 23 regulated subsidiaries. These regulated subsidiaries are licensed asset management, long-term and short-term insurance entities that are regulated and therefore subject to statutory capital requirements set by each jurisdiction's regulators. These require that the entities hold a prescribed minimum capital, and dividend distributions from these entities are only available from excess net assets over the required minimum capital.

Annexure C – Share analysis

for the year ended 28 February 2021

	Shareholders Number	%	Shares held Number	%
Range of shareholding				
1 – 50 000	2 794	82.7	19 527 211	1.5
50 001 – 100 000	189	5.6	13 063 837	1.0
100 001 – 500 000	255	7.5	57 492 804	4.3
500 001 – 1 000 000	47	1.4	32 088 584	2.4
Over 1 000 000	94	2.8	1 201 822 363	90.8
	3 379	100.0	1 323 994 799	100.0
Treasury shares	5		16 935 686	
	3 384		1 340 930 485	
Public and non-public shareholding				
Non-public				
Holding company	1	0.0	810 058 551	61.2
Directors and management	16	0.5	100 528 191	7.6
Public	3 362	99.5	413 408 057	31.2
	3 379	100.0	1 323 994 799	100.0
Individual shareholders holding 5% or more of shares in issue (net of treasury shares) at 28 February 2021				
PSG Financial Services Limited			810 058 551	61.2
Coronation Asset Management			102 421 294	7.7
			912 479 845	68.9

Annexure D – Glossary

ACI	African, Coloured and Indian
ADP	Adviser development programme
AGM	Annual general meeting
AIFA	Absa Insurance and Financial Advisers Proprietary Limited
ALSI	All Share Index
AQRate	AQRate Proprietary Limited
ASISA	Association for Savings and Investment South Africa
BBBEE	Broad-based black economic empowerment
BESA	Bond Exchange of South Africa
CAGR	Compound annual growth rate
CEO	Chief executive officer
CFD	Contracts for difference
CFO	Chief financial officer
CGU	Cash-generating unit
CIO	Chief information officer
CIS	Collective investment scheme
CODM	Chief operating decision-maker
Companies Act	Companies Act, No. 71 of 2008, as amended
COO	Chief operating officer
COVID-19	Coronavirus Disease 2019
CRISA	Code for Responsible Investing in South Africa
CRM	Customer relationship management
CSI	Corporate social investment
CSRC	Customer service review committee
DAC	Deferred acquisition costs
DMTN	Domestic Medium Term Note
DRL	Deferred revenue liability
DWT	Dividend withholding tax
EME	Exempt micro enterprise
ESG	Environmental, social and governance
ETF	Exchange traded fund
Exco	Executive committee
FSCA	Financial Sector Conduct Authority

Annexure D – Glossary

FSV	Financial soundness valuation
FTSE	Financial Times Stock Exchange
GCR	Global Credit Rating Co.
GFSC	Guernsey Financial Services Commission
HEPS	Headline earnings per share
HR	Human resources
IBNR	Incurred but not reported
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IT	Information technology
JSE	JSE Limited
King IV	King IV Report on Corporate Governance™ for South Africa, 2016
KPI	Key performance indicator
LISP	Linked investment service provider
LTIs	Long-term incentives
Manco	Management committee
MFSA	Malta Financial Services Authority
MOI	Memorandum of incorporation
NAMFISA	Namibia Financial Institutions Supervisory Authority
NBFIRA	Non-bank Financial Institutions Regulatory Authority (Botswana)
NCI	Non-controlling interest
NSX	Namibian Stock Exchange
ORSA	Own Risk and Solvency Assessment
OTC	Over-the-counter
PA	Prudential Authority
PE ratio	Price-earnings ratio
POPIA	Protection of Personal Information Act, No. 4 of 2013

PSG Konsult Treasury	PSG Konsult Treasury Limited
PSG Life	PSG Life Limited
QSE	Qualifying small enterprise
Remco	Remuneration committee
RSA	Republic of South Africa
SA	South Africa
SAFEX	South African Futures Exchange
SAICA	South African Institute of Chartered Accountants
SAM	Solvency Assessment and Management
SAP	Standard of Actuarial Practice
SEM	Stock Exchange of Mauritius
SENS	Stock Exchange News Service
SLA	Service level agreement
SME	Small and medium-sized enterprises
SPE	Special-purpose entity
STEM	Science, technology, engineering and maths
STI	Short-term variable incentive awards
TCF	Treating Customers Fairly
TCFD	Task Force on Climate-related Financial Disclosure
TRI	Total return index
UCITS	Undertakings for the Collective Investment in Transferable Securities
UK	United Kingdom
USA/US	United States of America
VWAP	Volume-weighted average price
Western	Western Group Holdings Limited
Western RSA	Western National Insurance Company Proprietary Limited (RSA)

Corporate information

Registered name

PSG Konsult Limited
(Registration number: 1993/003941/06)
(Tax reference number: 9550/644/07/5)
JSE share code (Primary listing): KST
NSX share code: KFS
SEM share code: PSGK.N0000
Abbreviated name: PSG KST
ISIN: ZAE000191417
LEI code: 378900ECF3D86FD28194

Country of incorporation

Republic of South Africa

Date of incorporation

14 July 1993

PSG Konsult head office and registered office

4th Floor, The Edge, 3 Howick Close
Tyger Waterfront
Tyger Valley
Bellville
7530
Tel: 021 918 7800
Fax: 021 918 7921

Postal address

PO Box 3335
Tyger Valley
Bellville
7536

Company secretary

PSG Management Services Proprietary Limited
(Registration number: 2000/009351/07)

Website address

www.psg.co.za

Auditor¹

PricewaterhouseCoopers Inc.
Cape Town

¹ Subject to regulatory approval, and shareholder approval at the 2021 AGM, Deloitte & Touche has been proposed as the external auditor of the group for the year ending 28 February 2022.

Bankers

Absa Bank Limited
Standard Bank of South Africa Limited
First National Bank Limited
Rand Merchant Bank Limited
BNP Paribas
Investec Bank Limited
Nedbank Limited

Attorneys

Cliffe Dekker Hofmeyr
Blake Bester
Ganado Advocates (Malta)

Transaction adviser and Sponsor – JSE

PSG Capital Proprietary Limited

Independent Joint Sponsor – JSE

UBS South Africa Proprietary Limited

Transaction adviser and Sponsor – NSX

PSG Wealth Management (Namibia) Proprietary Limited, member of the Namibian Stock Exchange

Transaction adviser and Sponsor – SEM

Perigeum Capital Ltd

Transfer secretary

Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Rosebank Towers
15 Biermann Avenue
Rosebank
2196
(Private Bag X9000, Saxonwold, 2132)
Tel: 011 373 0000
Fax: 011 688 5200

Shareholder Diary

Financial year-end
Financial half year

28 February
31 August

Financial reporting

Annual general meeting
Announcement of interim results

Monday, 12 July 2021
Thursday, 7 October 2021

Ordinary dividends

Final dividend

- Declared
- Paid

15 April 2021
10 May 2021

