PSG Konsult

TWENTY

19

INTEGRATED REPORT

By considering it all, PSG Konsult sees the bigger picture, which gives you the advantage.





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FINANCIAL HIGHLIGHTS

Recurring headline earnings per share
↑ 4%

Gross written premium
↑ 36%

Assets under administration
↑ 5%

Dividend per share
↑ 14%

Core income
↑ 10%

Recurring headline earnings
↑ 4%

Assets under management
↑ 8%

Revenue generated in South Africa
93%

Return on equity
22%

SALIENT FEATURES

Market capitalisation
R14.7 billion

Advisers
932

Shareholders
3 769

Credit rating
LT of A-(ZA)
ST of A1-(ZA)

Adviser offices
254
throughout South Africa and Namibia

Professional associates
417

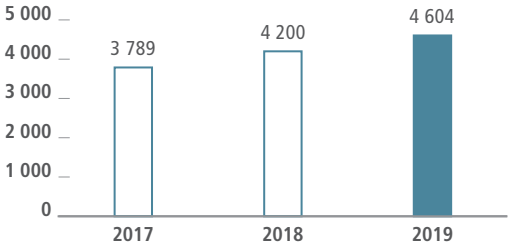
Compound growth rate
20%
in recurring headline earnings since 2009

Client complement
> 200 000
across offices

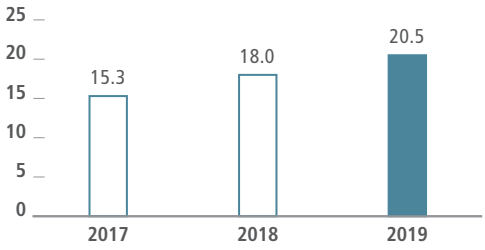
Employees
2 886

THREE-YEAR FINANCIAL COMPARISON

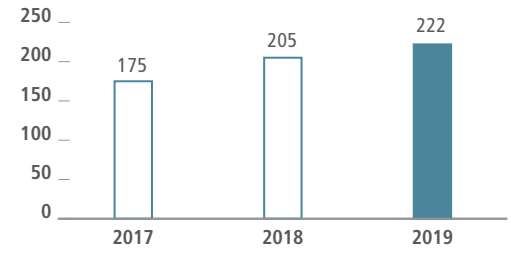
CORE INCOME (Rm)



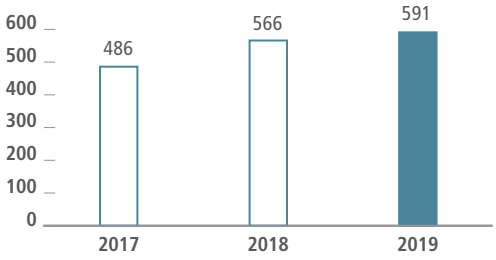
DIVIDEND PER SHARE (cents)



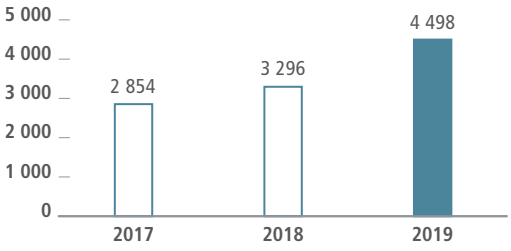
ASSETS UNDER MANAGMENT (Rbn)



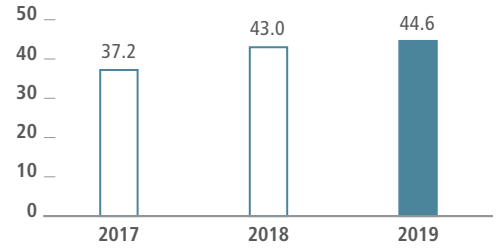
RECURRING HEADLINE EARNINGS (Rm)



GROSS WRITTEN PREMIUM (Rm)



RECURRING HEADLINE EARNINGS PER SHARE (cents)



PSG KONSULT'S APPROACH TO REPORTING

This integrated report reflects the activities and performance of PSG Konsult for the financial year from 1 March 2018 to 28 February 2019.

ABOUT US

PSG Konsult is a leading independent financial services group.

The group delivers a range of financial services and a suite of financial products to individuals and enterprises, from asset and wealth management to insurance in South Africa, Namibia and Botswana.

PSG Konsult emphasises the importance of personal service and building lifelong relationships with clients. The group's advice-focused business approach is founded on integrity, trust and transparency. These values are encapsulated in the group's core business principles, which are discussed on page 26.

PSG Konsult listed on the Johannesburg Stock Exchange's (JSE) 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 of a three-year floating rate note on 12 July 2017.

THIS INTEGRATED REPORT

The integrated report aims to meet stakeholders' expectations, while remaining as concise as possible.

It presents readers with a picture of the business, strategy, material matters and how PSG Konsult creates value.

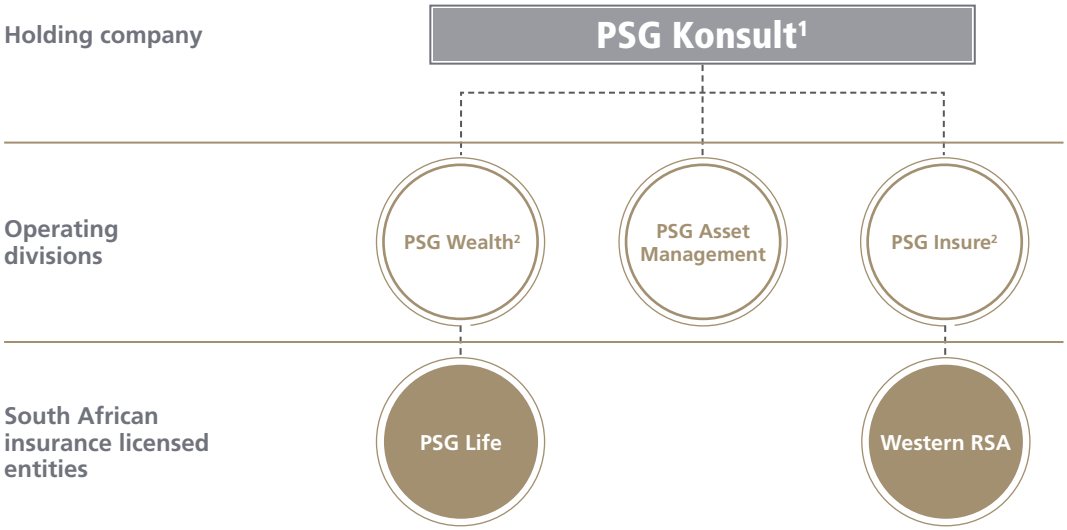
The group applied the principle of materiality in determining the content and aligns internal and external financial reporting in terms of performance indicators and format. Matters are considered material if they can affect the group's ability to create value over time, for stakeholders.

In the interest of consistency and ease of comparison, the structure of the 2019 report resembles the previous report. The group elected not to prepare a separate sustainability report, as social and environmental initiatives and indicators were integrated into the financial and divisional reports.

REPORTING SCOPE AND BOUNDARIES

PSG Konsult should be distinguished from PSG Group Limited (PSG Group), which is a separately listed entity and a 59.4% shareholder in PSG Konsult as at 28 February 2019.

The scope is in line with PSG Konsult's operational and governance approach and includes entities within the three operating divisions, namely PSG Wealth, PSG Asset Management and PSG Insure. These include the South African insurance licensed entities, PSG Life Limited (PSG Life) and Western National Insurance Company Limited (RSA) (Western RSA), which are subject to group supervision by the Prudential Authority in South Africa:



[1] *Includes the PSG Konsult support functions.*
[2] *Includes a component of the PSG Konsult adviser business.*

As a wholly owned subsidiary in the group, PSG Konsult Treasury has adopted a board charter in line with the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV™)[1] principles and the JSE Listings Requirements pertaining to debt issuers. PSG Konsult Treasury publishes its annual financial statements and Domestic Medium Term Note (DMTN) programme memorandum on the PSG Konsult website.

REPORTING COMPLIANCE

This report has been prepared in line with 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 Framework
- King IV™
- The Financial Sector Charter

FORWARD-LOOKING STATEMENTS

This integrated report contains certain statements that are not historical facts and relate to analyses and other information based on forecasts of future results that are not yet determinable.

These are forward-looking statements as defined in the United States Private Securities Litigation Reform Act of 1995. 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.

ASSURANCE

The board of directors, assisted by the audit and risk committees, is responsible for the content of this report.

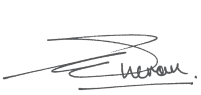
The group uses a combined assurance model:

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)

[1] *Copyright and trademarks are owned by the Institute of Directors in Southern Africa NPC and all its rights are reserved.*

APPROVAL BY THE PSG KONSULT BOARD OF DIRECTORS

The directors have collectively applied their minds to the content as recommended by the audit committee. The board 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 2019 and is signed on behalf of the board by:



W Theron
Chairman



FJ Gouws
Chief executive officer



MIF Smith
Chief financial officer

The board acknowledges its responsibility to ensure the integrity, accuracy and fairness of PSG Konsult's 2019 integrated report.

FURTHER INFORMATION AND FEEDBACK

- The annual group and company financial statements, and supplementary information about PSG Konsult are available on its website www.psg.co.za.
- References to notes refer to the notes to the group financial statements.
- Where industry-specific terms or abbreviations are not explained in the body of the integrated report, please refer to the glossary in Annexure D.
- PSG Konsult values feedback on the integrated report from stakeholders. Therefore, please send your comments or requests for further information to: mike.smith@psg.co.za.

Engage with us on: Facebook Twitter LinkedIn YouTube

BUSINESS MODEL AND VALUE CREATION

INVESTMENT CASE

Distribution network

- Largest independent adviser network in South Africa and Namibia
- Developing a presence in Botswana
- Trusted advisers with cradle-to-grave relationships with clients
- Adviser remuneration model encourages client retention and long-term growth
- Alignment of shareholder and adviser interests
- Learner adviser training programme

Growth opportunities

- Relatively small market share with room for growth in the group's chosen wealth, asset management and insurance markets
- Building blocks and solid business foundation in place, allowing for expansion of its existing adviser network and potential strategic acquisitions
- Operating leverage leading to higher margins as the business gains scale
- Holistic financial services product range which meets a broad spectrum of client needs, creating cross-selling opportunities and synergies

Track record

- History of superior shareholder returns and demonstrable asset and premium growth over time
- Conservative investment approach based on three layers of defence risk management
- Proven ability to maximise every rand income earned relative to the acceptable unit of risk taken

Respected and trusted brand

- PSG is an established and trusted brand
- Commitment to brand awareness and enhancement

Business characteristics and relationships

- Experienced management team backed by a supportive anchor shareholder in PSG Group
- Profitability of Wealth and Asset Management divisions geared to equity market conditions
- Scalable synergistic divisions with strong operational leverage
- High return on equity produced without taking undue risks
- New share issues limited to prevent dilution of shareholder returns
- Good working relationship with regulators
- Recipient of industry awards
- Primary client exposure relates to higher-income groups

Sound financial position

- Low gearing levels, as the business is 96% equity-funded
- Businesses are cash-generative
- Global Credit Rating: A-(ZA) long-term rating and A1-(ZA) short-term rating with stable outlook for both ratings
- PSG Konsult is adequately capitalised and complies with the capital requirements of Solvency Assessment and Management (SAM)

Specific business features and long-term metrics underpin the group's expectations of future success.

TRACK RECORD

PSG Konsult has created shareholder value since 2005.

The group maintains a conservative investment approach based on three layers of defence risk management. This has led to a history of shareholder returns and demonstrable asset and premium growth over time.

Performance should be measured by the return an investor receives over time, with a focus on per-share wealth creation. PSG Konsult has continuously created wealth for its shareholders by delivering share price appreciation and paying dividends.

PSG Konsult's long term performance is measured by the total return index (TRI). The TRI is the compound annual growth rate (CAGR) of an investment and is calculated by taking cognisance of share price appreciation, dividends and other distributions. This is a sound measure of wealth creation and a reliable means of benchmarking different companies.

PSG Konsult has substantially outperformed the FTSE/JSE All Share Index (ALSI) TRI over 14 years to 28 February 2019.

If R100 000 had been invested in PSG Konsult shares on the day that over-the-counter (OTC) trading commenced in 2005, and if dividends and other distributions received had been reinvested, this amount would be worth R5 million on 28 February 2019, at a CAGR of 33% (25% 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)
CAGR %			**33**			**14**

RECURRING HEADLINE EARNINGS BY DIVISION

Compound growth rate of 15% since 2015

Recurring headline earnings	CAGR %	2019 Rm	% change	2018 Rm	% change	2017 Rm	% change	2016 Rm	% change	2015 Rm
PSG Wealth	**10**	**339**	**0**	339	18	287	1	286	25	228
PSG Asset Management	**19**	**167**	**7**	156	20	130	57	83	1	82
PSG Insure	**29**	**85**	**19**	71	4	69	70	40	29	31
Total	**15**	**591**	**4**	**566**	**16**	**486**	**19**	**409**	**20**	**341**

SEVEN-YEAR FINANCIAL REVIEW

	2019 R000	2018 R000	2017 R000	2016 R000	2015 R000	2014 R000	2013 R000
Income	**4 571 333**	4 203 640	3 843 072	3 501 676	3 014 600	2 557 436	1 846 019
Profit before taxation	**911 723**	868 872	735 286	631 662	525 032	383 637	136 004
Taxation	**(269 179)**	(256 221)	(203 416)	(309 838)	(163 234)	(117 677)	(82 633)
Profit for the year	**642 544**	612 651	531 870	321 824	361 798	265 960	53 371
Headline earnings	**603 888**	566 396	486 439	292 302	339 261	244 485	173 808
Recurring	**591 099**	566 396	486 439	408 748	341 175	251 145	174 424
Non-recurring	**12 789**	–	–	(116 446)	(1 914)	(6 660)	(616)
Non-headline earnings	**(1 714)**	80	423	622	1 140	4 773	(115 677)
Attributable income	**602 174**	566 476	486 862	292 924	340 401	249 258	58 131
Earnings per share (cents)							
Headline	**45.6**	43.0	37.2	22.9	26.9	20.0	15.4
Recurring headline	**44.6**	43.0	37.2	32.1	27.0	20.6	15.4
Recurring headline (excluding intangible amortisation cost)	**48.4**	46.4	40.4	34.6	29.4	22.3	17.2
Attributable	**45.4**	43.0	37.3	23.0	27.0	20.4	5.1
Dividend per share (cents)	**20.5**	18.0	15.3	13.2	12.0	11.3	10.8
Interim dividend	**7.0**	5.7	5.1	4.4	4.0	4.0	3.5
Final dividend	**13.5**	12.3	10.2	8.8	8.0	7.3	7.3
Weighted average shares (000)	**1 325 094**	1 317 643	1 307 103	1 274 163	1 261 394	1 220 523	1 131 880
Actual shares in issue (000)	**1 364 885**	1 342 242	1 322 100	1 279 124	1 262 484	1 221 917	1 209 582
Market capitalisation (Rm)	**14 659**	11 678	9 929	8 800	9 115	6 110	3 447
Price (cents per share)							
Last day of trade	**1 074**	870	751	688	722	500	285
Highest	**1 110**	940	850	950	790	534	295
Lowest	**860**	750	640	635	500	255	175
Trading volume (number of shares)	**83 533 180**	91 863 005	111 725 751	114 093 941	61 842 093	31 449 042	21 185 957
Trading value (R)	**813 471 071**	766 732 848	782 826 881	903 744 597	429 153 022	128 845 854	46 826 925
Net asset value per share (cents)	**223.6**	190.1	164.0	132.2	118.3	89.1	76.0
Assets under administration (Rbn)	**421.5**	402.1	371.1	327.1	308.7	233.2	179.5
Assets under management (Rbn)	**222.2**	205.4	175.3	154.1	132.5	99.5	70.9

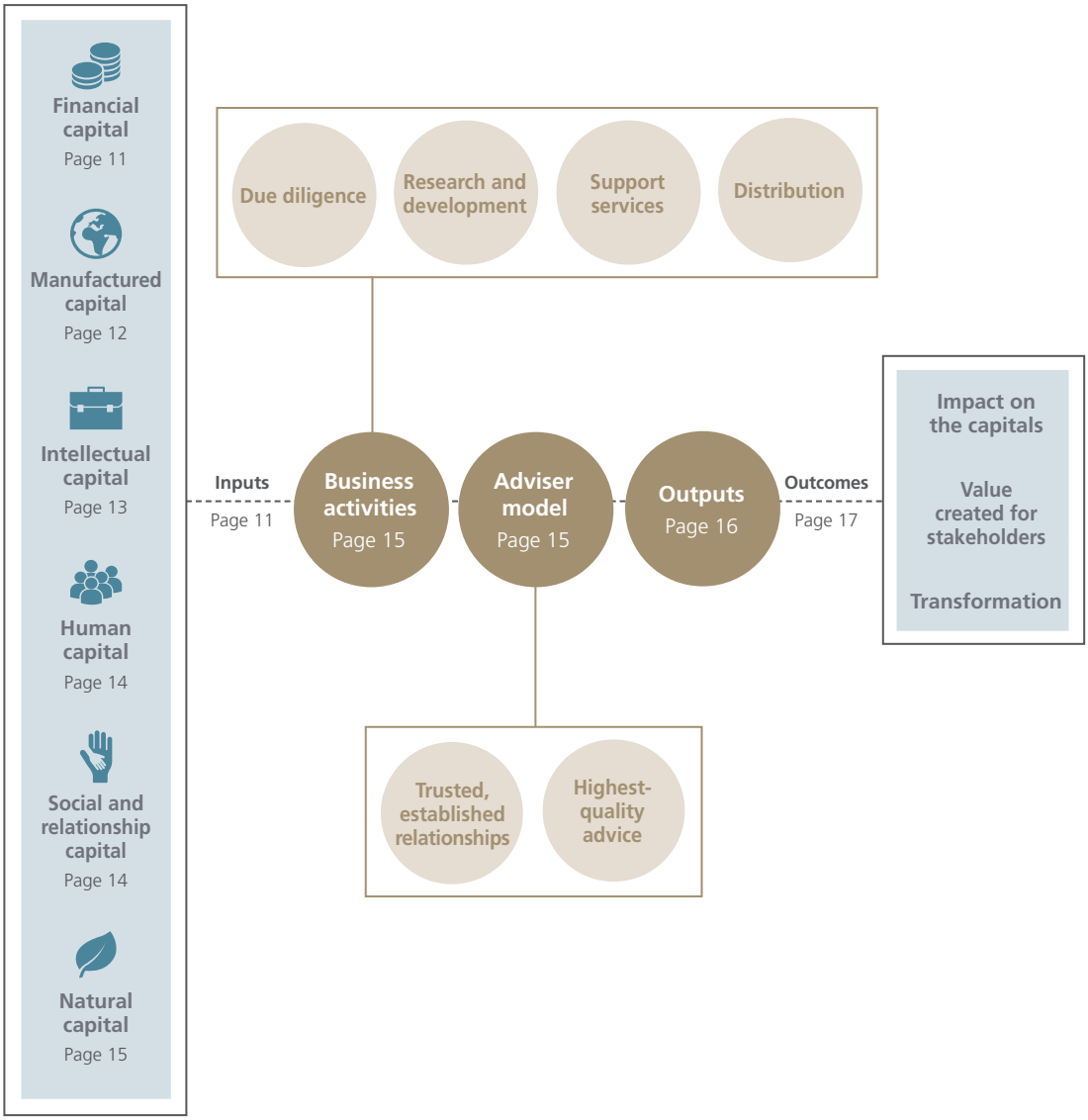
BUSINESS MODEL

The PSG Konsult business model is rooted in a conservative, long-term investment approach.

Investors who take a long-term view and remain invested with the group, throughout market cycles, are rewarded.

PSG Konsult understands that it is not adequate to develop excellent products and services without focusing on how to connect these with a receptive market. The group's strength is its network of entrepreneurial advisers, distributing a wide range of products and services through their trusted, long-standing relationships with clients.

Adviser and client-service experience is supported via the group's integrated technology platforms and systems, designed to improve the ease of doing business and provide comprehensive consolidated client and adviser reporting.



CAPITAL INPUTS

In its business model, PSG Konsult relies on the six capital inputs of value creation.

The group identifies critical resources and applies these based on strategic decisions and growth ambitions. These decisions and ambitions adhere to the core business principles, which define the values and behaviours on which PSG Konsult was built. The capital inputs are increased, decreased or transformed through the group's business activities.

PSG Konsult's application, transformation and value creation through the six capital inputs



Financial capital

Financial capital constitutes available shareholder equity and debt funding.

PSG Konsult's central treasury function oversees and manages the group's financial capital. The centralised monitoring process allows the group to optimise capital allocation to meet business regulatory capital and growth initiative requirements.

PSG Konsult applied financial capital in 2019 to (inter alia):

- improve information technology (IT) infrastructure and digital platforms to enhance client experience;
- increase the adviser base and integrate new advisers into the group (mostly due to the Absa Insurance and Financial Advisers Proprietary Limited (AIFA) acquisitions);
- establish Western Botswana;
- acquire the remaining 40% shareholding in the Western Group's Namibian entities from Santam;
- host client and adviser events to improve brand awareness; and
- fund bursaries and learnerships.

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

PSG Konsult increases financial capital for stakeholders.

The group grows stakeholders' financial capital by, for example:

- investing clients' funds on their behalf to create and preserve wealth;
- insuring clients' assets to protect wealth;
- paying taxes;
- paying remuneration; and
- delivering returns earned on investments.

The group is cash-generative.

PSG Konsult's investable shareholder assets are conservatively invested, as required for regulatory purposes, mainly in money market funds and other collective investment schemes. These are well positioned for market volatility and to 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 local cash, money market instruments and bonds (on a see-through basis) exceeded 85% of investable shareholder assets at 28 February 2019. The group's investment committee is responsible for determining the investment strategies of the group. The committee is also responsible for monitoring the performance of the investment portfolio. The credit quality of the underlying assets is regularly monitored by the group's credit committee.

PSG Konsult's application, transformation and value creation through the six capital inputs

Financial capital

The group's strong financial capital position provides flexibility and optionality should an attractive investment opportunity be identified. PSG Konsult's focus remains on organic growth, although it will consider acquisitions that meet its investment criteria, which require, among other things, acceptable pricing, a compelling strategic rationale, clearly definable synergies and ease of integration.

Read more about financial capital in the chief executive officer and chief financial officer's report from page 59 and the annual financial statements.

Manufactured capital

Manufactured capital takes the form of the group's physical footprint.

PSG Konsult believes in servicing clients within reach of their homes. This requires manufactured capital in the form of offices and infrastructure in the territories where the group operates, mainly South Africa, Namibia and Botswana.

Manufactured capital also constitutes the IT systems that support business activities.

PSG Konsult invested in the group's open architecture and stable systems, which are enablers in the business model.

The *myPSG* online platform and mobile application enable clients and advisers to have a secure, consolidated view of their investments over a range of platforms. These platforms improve the capability, reach and convenience of manufactured capital and ensure a competitive advantage, since they grant access to a wide range of financial product and fund providers in South Africa.

Investment in manufactured capital ensures sustainable returns for the future.

Manufactured capital enables efficiency and improved service support to advisers and clients. This reduces financial capital over the short term but builds loyalty and client retention and delivers cost savings over the long term.

Read more about manufactured capital in about us on page 4, in where we operate on page 27, in the chief executive officer and chief financial officer's report from page 59 and the information technology governance section on page 99.

PSG Konsult's application, transformation and value creation through the six capital inputs

Intellectual capital

Intellectual capital consists of the intangibles that comprise PSG Konsult's reputation and competitive edge.

PSG Konsult is a quality and trusted brand that offers investors access to the group's own funds and selected third-party products and services.

See pages 16 and 17 for PSG Konsult's product offering.

Intellectual capital creates PSG Konsult's investment approach and its ability to manage risk, comply with legislation and respond to market challenges. The group uses the selling proposition of its brand to build reputation, to help advisers grow their client bases and to grow its own direct business.

Governance structures entrench intellectual capital by enforcing ethical leadership and value creation.

As an example, PSG Konsult conducts research and follows a due diligence process to approve potential new products, services and potential acquisitions, thereby protecting its intellectual capital.

The group operates under several licences across the range of its financial services.

PSG Konsult's set of licences allows the group to sell a broad range of products and services across multiple jurisdictions. The group's proactive engagement with regulators helps to ensure that it maintains its 24 regulatory licences, which consist of 17 regulatory operating licences in South Africa, 3 in Namibia, 2 in Botswana, 1 in Guernsey and 1 in Malta. The latter 2 regulatory licences enable the group to market offshore undertakings for Collective Investment in Transferable Securities (UCITS) compliant funds to potential offshore investors.

See pages 52 and 53 for a list of PSG Konsult's regulatory operating licences.

Investment in intellectual capital reduces financial capital over the short term but enables the group to manage risks and exploit opportunities in an ethical way. This ensures sustainable returns for the future and a resilient reputation that attracts clients and employees.

Read more about intellectual capital in the investment case on page 7, the track record on page 8, the brand and awards section from page 20 and the corporate governance report from page 83.

PSG Konsult's application, transformation and value creation through the six capital inputs

Human capital

Human capital comprises the complement of employees and professional associates who work for PSG Konsult and the network of advisers distributing PSG Konsult's products and services in the market.

PSG Konsult is a complex financial services group, reliant on the skills of its employees. Therefore, the group must ensure that its performance management and development frameworks encourage long-term retention and loyalty. The social and ethics committee monitors group activities relating to sustainability and transformation. This ensures that employees receive equal advancement opportunities and work in a safe environment where they can fulfil their potential.

Human capital is developed through training and internship programmes.

Corporate social investment (CSI) in educational initiatives increases human capital in communities. By transferring knowledge and improving employability, CSI initiatives also expand the pool of future employees and clients for PSG Konsult.

Read more about the group's internship programmes on page 39.

Investment in human capital decreases financial capital over the short term but enables the availability of skills and service capacity for the group and the industry over the long term. This will ensure sustainable returns in future.

Read more about the value created for our advisers and employees in the stakeholders section on pages 36 to 38 and 42.

Social and relationship capital

Social and relationship capital is the network of internal and external relationships that constitute PSG Konsult's stakeholder universe.

A major component of this capital is PSG Konsult's advisory network and the strong relationship of trust our clients have with the advisers. During the financial year, the group's growing adviser network increased by 148 advisers.

The advisers build lifelong relationships with clients through products and services that are relevant to different life circumstances and stages. PSG Konsult's offering of administrative and compliance support to these advisers means they can focus on building relationships.

Further social and relationship capital resides in the value that PSG Konsult creates for each stakeholder group.

The group values stakeholder relationships and invests in growing this capital. For example, the group actively participates in industry forums and collaborates on initiatives that encourage industry growth through supplier and enterprise development. PSG Konsult also finances client events, adviser workshops, investor roadshows and CSI projects.

This affects the availability of financial capital over the short term but ensures loyalty, which creates sustainable returns for the future.

Read more about PSG Konsult's stakeholders from page 33.

PSG Konsult's application, transformation and value creation through the six capital inputs

Natural capital

Natural capital consists of the natural resources used in PSG Konsult offices.

While these natural resources are not formally measured, the nature of the business has a limited negative impact on the environment.

PSG Konsult limits the use of electricity, paper and water in the office environment and its head office in Cape Town is rated a five-star green building. The use of video-conferencing facilities at each of the major offices across the country reduces travel time.

BUSINESS ACTIVITIES

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

As consumer needs and investment activity respond to economic shifts, PSG Konsult helps stakeholders to create and preserve wealth through:

- conducting ongoing research into, and development of, new products;
- building established relationships;
- distribution; and
- providing support.

These services are offered across a range of regions, products and service options, and through the channels of stakeholders' choice:

By region	By division	By products and services
South Africa	PSG Wealth	Financial planning
Namibia, Botswana, Malta and Guernsey	PSG Asset Management	Investment options
	PSG Insure	Trading platforms
		Insurance
		Employee benefits

By client type	By source type	By channel
Retail	PSG Konsult products and services	Adviser
Institutional	Third-party products and services	Direct
		Combined adviser and direct (multi-channel)

THE ADVISER MODEL

The adviser model is a core and interdependent element of the PSG Konsult business model.

There is a symbiotic relationship between the group and advisers. PSG Konsult provides support and resources to its advisers which enable them to provide their clients with the highest-quality advice. The adviser model relates specifically to the PSG Wealth and PSG Insure divisions.

Read more about PSG Konsult's adviser model in the advisers section from page 35.

OUTPUTS

PSG Konsult's main outputs comprise the group's range of products and services.

These outputs cover a broad spectrum of client needs to help clients build and protect their wealth.

PSG Konsult 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 is provided 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's insurance underwriting capabilities providing cover internally and via business partnerships with leading insurance providers • Access to wide range of commercial insurance products, including business cover for agricultural needs, damages, marine and commercial 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 to medium-size enterprises 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 Wealth** **PSG Asset Management**

OUTCOMES

The outcome of PSG Konsult's business model is in the value created for stakeholders.

The group creates value by generating sustainable, consistent and long-term inflation-beating returns. This enables a broad range of stakeholders to maintain and improve their livelihoods in a more stable society. Examples include increased financial capital and security for stakeholders, and secondary outcomes such as employment, improved availability of skills, automated processes and deeper relationships.

Potentially negative outcomes constitute financial loss or negative investment returns, system failure and the occurrence of other operational risk events, which are mitigated through a mature, integrated risk management capability.

The stakeholders section from page 33 of this report describes how PSG Konsult creates value per stakeholder group.

PSG KONSULT'S KEY DEVELOPMENTS AND MILESTONES

PSG Konsult commenced business in 1998 and its approach has been to build multi-generational relationships with families and forge long-term ties with the organisations it services.

KEY DEVELOPMENTS FOR THE 2019 FINANCIAL YEAR

- PSG Insure successfully completed the integration of 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 Konsult established Western Insurance Botswana and Western Life Insurance Botswana.
- With a view to increasing the group's international presence, 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 Insure concluded an agreement to acquire the remaining 40% shareholding in the Western Group's Namibian entities from Santam.
- The group disposed of its 70% shareholding in the Mauritius-based wealth advisory and stockbroking business.

MILESTONES

Extended growth phase

2018	• PSG Insure concluded an agreement to acquire the remaining personal lines short-term insurance face-to-face advisory brokerage business from AIFA in February 2018. • PSG Wealth acquired 28E Capital brokerage in April 2018. • The PSG Konsult board oversaw the incorporation of the King IV™ principles.
2017	• PSG Insure concluded an agreement to acquire 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 in strengthening the Wealth investment team and the internal audit function. • PSG Konsult implemented a group-wide risk appetite statement.

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-.
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 listed on the JSE and NSX.
2013	• The group undertook internal restructuring, streamlining multiple business units into three divisions. • PSG Konsult acquired the remainder of Western Group Holdings (Western) in two transactions and subsequently, during that year, disposed of 40% of its shareholding to Santam.

Acquisition phase	
2012	• PSG Konsult acquired 75% of Western over two transactions.
2011	• PSG Konsult acquired 100% of PSG Asset Management, including PSG Life and PSG Invest, 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.
2006	• PSG Konsult acquired 100% of Online Securities (today known as PSG Securities) from PSG Group.

Development phase	
2005	• Shares were made available to the public through an OTC trade platform.
2003	• PSG Konsult acquired 51% interest in PSG Konsult Namibia, increasing its shareholding in 2014 and 2015 to 58%.
1998	• PSG Group, an established and trusted brand, acquired 50% shareholding in PSG Konsult.

Dates provided refer to calendar years.

BRAND AND AWARDS

BRAND

The PSG brand is a valuable asset to the group.

The brand is subject to governance wherever it is used, due to the wide impact that reputational damage can have. Responsible brand investment is structured in line with the growth of the group:

- **Print and digital media:** Consistency and quality are essential across client communications, including emails and social media, and adviser-hosted client events. PSG Konsult regularly takes stock of publications to ensure their usability and produce additional ones that add value to advisers and clients.
- **Social media:** Clients are likely to do research online before they walk into an adviser office. PSG Konsult engaged with advisers on various platforms regarding how to manage their online profiles to convey the group's value proposition, showcase expertise and use social media effectively.
- **PSG Wealth** ran a digital campaign focused on retirement savings, which highlighted the fact that only 6% of South Africans can retire comfortably. The campaign advises clients to understand the factors under their control, focus on what they can do, and put plans in place to achieve those goals. This can-do approach is aligned with the PSG Konsult philosophy.
- **Advisers/client engagement** happens through regional adviser office events, and national group events. December 2017 was a pivotal moment in South Africa's political calendar and Justice Malala (with his educated and inside opinion) specifically addressed the resultant client uncertainty. Jannie Mouton offered his life lessons and Devi Govender delivered her journey-to-success story to empower women (in celebration of women's month and related events). The group also engages with clients digitally by hosting webinars.

PSG Konsult adviser client events

74

Clients reached

6 454

PSG Konsult national events

12

Clients reached

1 797

PSG Asset Management IFA events

25

IFAs reached

2 878

Event expenditure

↑ **12%**

(2018: ↑ 23%)

AWARDS

PSG Konsult

- Ronald King, PSG Konsult head of public policy and regulatory affairs, was awarded the Harry Brews Award by the Financial Planning Institute of Southern Africa (FPI), for his contribution to the financial planning industry.

PSG Asset Management

- Raging Bull Awards
  - South African Management Company of the Year: second place
  - Best South African Multi-Asset Flexible Fund on a Risk-Adjusted Basis (measuring risk-adjusted performance over five years): 3rd place (PSG Flexible Fund)
- Morningstar Awards
  - Finalist, Best Fund House: Larger Fund Range
  - Finalist, Best Flexible Allocation Fund (PSG Flexible Fund)

PSG Wealth

- Ranked third in the 2018 Intellidex Wealth Manager of the Year awards; up from 4th in 2017. PSG Wealth won the category for Successful Entrepreneur.

PSG Insure

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





GROUP OVERVIEW

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GROUP STRUCTURE

PSG Konsult has three operating divisions:

PSG Wealth	PSG Asset Management	PSG Insure
Wealth management services to individuals, families and businesses, including investment opportunities, stockbroking, estate planning and fiduciary services	Investment management services to retail and institutional investors, with a range of local unit trusts and international funds across the investment risk spectrum	Insurance advice and the underwriting and administration of short-term insurance policies in personal and commercial lines

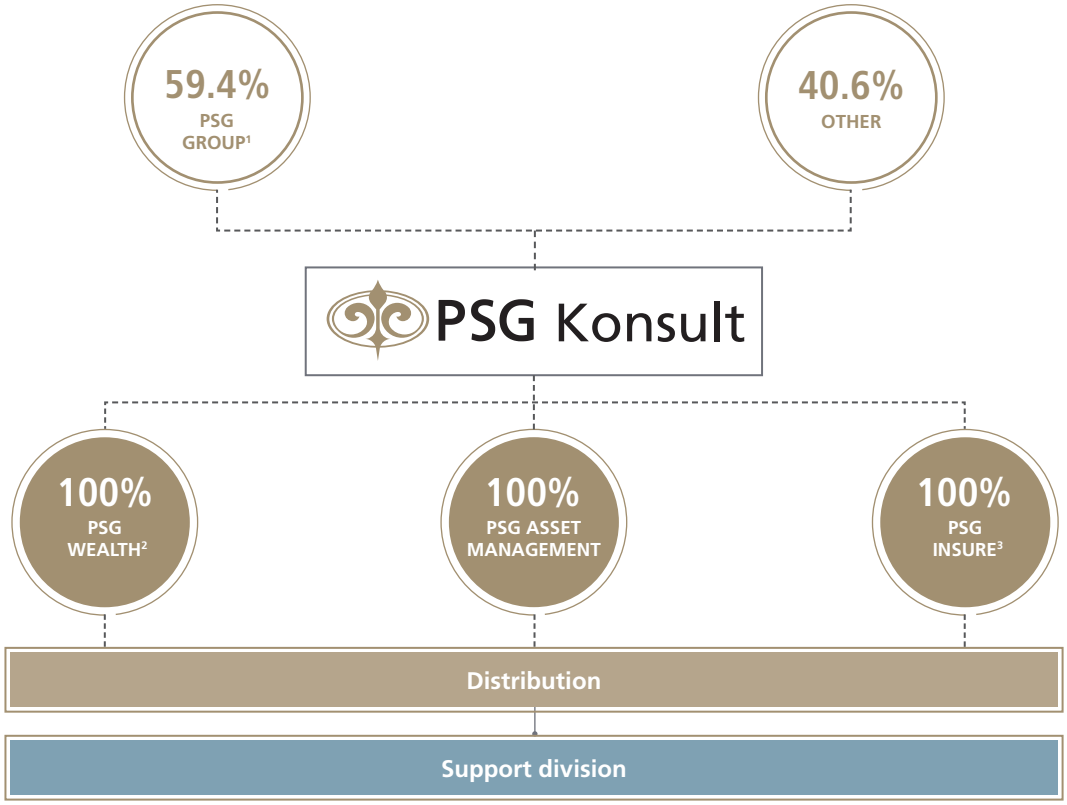
Through these three divisions, the group offers clients (individuals, families and businesses) a value-orientated approach to their financial needs, with a full suite of financial products focusing on wealth creation, wealth preservation, asset management and insurance.

The divisions are monitored and assessed through ongoing integrated reporting and internal assurance functions. This ensures risk and regulatory compliance and drives operational and financial performance. Each division has its own board and executive committee, which are integrated into the group's governance structures, as discussed in the corporate governance report from page 83.

PSG Konsult's three operating divisions are supported by a network of independent financial advisers.

The group provides a range of centralised support services to advisers. These include human resources (HR), marketing, IT, legal and compliance, risk, internal audit and finance departments.

Read more about each division from page 65.



1 *PSG Group's holding net of treasury shares is 60.6%.*
2 *Includes PSG Employee Benefits.*
3 *Includes Western.*

OUR VALUES

We undertake to always advise clients with the highest level of good faith, integrity, professional knowledge and diligence.

OUR VISION

To be the leading independent 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.

OUR CORE BUSINESS PRINCIPLES

Our clients are our priority	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	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	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 'me' 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	Our entire approach is based on building multi-generational relationships with families and forging long-term ties with organisations we service. We believe that long-term service is dependent on skilled and reliable employees, and superb platforms and systems. We strive for excellence in both areas.
Growth is part of our DNA	We prefer organic to acquisitive growth and will only acquire a business if there is a strategic rationale, clearly definable synergies, the people are culturally aligned with our own, the business can be integrated immediately, the price is acceptable, and we have completed a 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 correct 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	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 helps to ensure that 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	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.

WHERE WE OPERATE

PSG Konsult has more than 250 adviser offices throughout South Africa and three in Namibia.

ADVISER OFFICES
254

ADVISERS
932



VIEW FROM THE CHAIRMAN



Willem Theron
Chairman

There are moving parts to the macroeconomic trends that impact PSG Konsult.

Economic stability is threatened by worldwide disruption to trade, particularly between the United States of America (USA) and China, and by Brexit, with the United Kingdom (UK) still negotiating its exit from the eurozone. Locally, politics continues to influence investor and consumer confidence ahead of the elections in May. Under these circumstances it is crucial for PSG Konsult to have a clear vision for the future of the group while remaining adaptable enough to withstand these changeable external factors.

Read more about PSG Konsult's local and global operating context and our response to these on pages 30 and 31.

Despite these conditions, PSG Konsult managed to grow the business through net new money and the addition of new advisers, particularly at PSG Insure. The group delivered strong results which are discussed in the chief executive officer and chief financial officer's report from page 59.

Key board topics included:

- **Financial results:** The board examined and evaluated the group's results to safeguard profitability.
- **Strategy and budget:** Our strategy has been relatively consistent for several years, but we continued where necessary to reassess and refine our strategy and capital allocation to ensure that we have a strategy in place that will still be relevant in three years' time.
- **Risk and opportunity:** The board takes a holistic view of risk within the group. We assessed potential opportunities and weighed them against capital adequacy and profit, and will continue to do so.

Initiatives undertaken included:

- The board compiled research and comparative industry studies on remuneration and engaged with shareholders to understand their views in this regard. As a result, PSG Konsult made certain minor adjustments to the remuneration policy. We are confident that the group's remuneration policy is consistent with the long-term interests of stakeholders.
- We addressed succession planning at board and executive level. The board is confident that we have the appropriate capacity and skilled talent to ensure depth in the group.
- The board received training from external subject matter experts on:
  - the Insurance Act, No. 18 of 2017 (Insurance Act), which came into effect on 1 July 2018;
  - cyber risk developments; and
  - the Competition Amendment Act, No. 18 of 2018.

PSG Konsult's governance system is designed to align with stakeholder interests and expectations.

The board guides value creation for our clients; this is our primary aim. This results in value for employees and advisers and ultimately delivers sustainable returns to shareholders.

The new prudential framework applicable to insurers in South Africa – called the Solvency Assessment and Management (SAM) framework – was developed to improve policyholder protection and aligns insurers' regulatory capital requirements with the underlying risks. The SAM framework came into effect on 1 July 2018. It stipulates certain capital requirements for PSG Konsult, particularly for our insurance licensed entities.

Once these requirements were met, the board assessed capital requirements per division. Capital was allocated where we believed it would enhance the profitability of the division. The main areas for the allocation of capital were technology, the integration of new advisers and risk and compliance management.

PSG Konsult complies with the capital requirements of the SAM framework and ensures that we always have a buffer in our capital allocation to the insurance licensed entities.

PSG Konsult prioritises an ethical culture within the group.

At board level this is driven by the social and ethics committee, chaired by independent, non-executive director Zodwa Matsau. During the financial year, we finalised an updated code of ethics. The focus of my message to advisers and employees at our annual conference was to embrace and embed this code of ethics in their daily practice. This was reinforced at strategic sessions. Given the quality of people in PSG Konsult, I am confident that an ethical culture extends throughout the group.

We encourage a diversity of views in the board because we believe that debate and in-depth enquiries pre-empt and mitigate risk. The staff complement in our risk management and compliance departments has grown significantly in the past five years. This demonstrates that the board is committed to risk and compliance and that investors can be confident in the level of governance we maintain.

It is important to the board that the group is, and is seen to be, a responsible corporate citizen.

Our contribution to stakeholders and to a more prosperous South Africa is threefold: we safeguard and grow our clients' assets, we strive for the diversity of our people, and we use our extensive footprint, especially in South Africa, to help communities.

PSG Konsult offices run a host of community projects across the country and we encourage our advisers to contribute to the communities they serve.

PSG Konsult is committed to diversity and inclusion at board level and within the group itself.

The nominations committee evaluates the group's performance in this regard and is focused on diversity of race, age and independence. At the February 2019 board meeting, we set a time frame of 12 to 18 months to attract appropriate candidates. We invest in internships, learnerships and bursaries for potential and current advisers and employees. These programmes aim to address diversity at employee and supply chain level, which we hope will permeate divisional and group management with time.

PSG Konsult has embarked on an exciting digitalisation journey.

During the financial year we continued to invest in new and updated technology. We aim to support our service offering with leading-edge technology. This is a challenge and an opportunity to differentiate ourselves in the market.

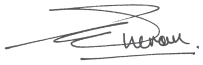
The board takes pride in the quality of people at PSG Konsult.

This is a difficult time for the financial services industry. The market has been flat for years. Nevertheless, our advisers remain committed to a journey with their clients and continue to communicate effectively. I would like to thank them for exceeding expectations in this regard.

I also recognise the efforts of employees who delivered sterling work in a challenging year. I am confident in the ability of our people to weather the storm if the new financial year proves to be as challenging as 2019.

Thank you to the management team, under the leadership of Francois Gouws, for their guidance and stability, which contribute significantly to good governance. I remain confident that the team will consistently drive our strategy, not only to achieve satisfactory results but also to create value in the long run for stakeholders.

My last word of thanks goes to the board, who are willing to be critical, to ask pertinent questions and to support management.



Willem Theron
17 May 2019

OPERATING CONTEXT

KEY MACRO-INDICATORS

Key indicator	CAGR %	2019	% change	2018	% change	2017	% change	2016	% change	2015
Rand/US dollar	**5**	**14.1**	**19**	11.8	(10)	13.1	(17)	15.8	35	11.7
Cash Index – SteFI Call	**7**	**382**	**7**	358	7	335	7	314	6	296
All Bond Index	**7**	**649**	**4**	622	14	544	13	480	(4)	498
SA Property Index	**(7)**	**492**	**(12)**	562	(12)	640	5	610	(7)	656
FTSE/JSE ALSI	**1**	**56 002**	**(4)**	58 325	14	51 146	4	49 415	(7)	53 344

GLOBAL CONTEXT AND TRENDS

According to the World Bank January 2019 *Global Economic Prospects* report, global growth is expected to slow to 2.8% in 2020.

Many are worried about the potential for ongoing disputes regarding Brexit, as well as between the USA and China over tariffs and trade rules. International trade and investment are moderating, trade tensions remain elevated and financing conditions are tightening. Securities regulations across the USA, Europe and Asia are also changing according to diverse priorities.

Trade disputes could escalate or become more widespread, denting activity in the economies involved and leading to negative knock-on effects abroad.

Global credit markets, especially in the USA, appear to be in a late cycle. US corporate credit markets have historically displayed pronounced cycles. The past decade has been good for corporate bonds: interest rates have been kept low by steady economic recovery, and inflation has been muted.

The impact of massive quantitative easing, estimated at over $12 trillion, by the world's largest central banks since 2008, has depressed rates. This has forced investors to hold riskier assets – like corporate bonds – to secure a reasonable yield. Quantitative easing is now abating: the US Federal Reserve is reducing its holdings in assets it purchased to stimulate the US economy, and the European Central Bank is likely to do the same.

Some large emerging-market and developing economies have experienced substantial financial market pressures.

Growth in these economies has lost momentum and is projected by the World Bank to stall at 4.2%. Emerging-market currencies are selling off, and interest rates are rising while asset prices fall. Investors have shunned these markets for developed economies, which are perceived to be safer.

A sharply weaker-than-expected recovery in commodity exports, accompanied by deceleration in commodity imports, is causing growth to stall.

Investment management is in a period of rapid change, driven by shifting investor preferences, margin compression, regulatory developments and advancing technologies.

According to the Deloitte Center for Financial Services 2019 *Investment Management Outlook* report, expectations between investor segments are diverging. Most younger investors, who will eventually hold a significant share of global investable assets, tend to prefer engaging with online and mobile channels, investing a low minimum initial investment amount and having 24-hour access to investment advice on smart devices.

Meanwhile, more experienced investors prefer sophisticated interactions through their mobile and online investment accounts and professional advice on demand. On the other side of the spectrum, most institutional investors are demanding better portfolio transparency, tailored investment solutions and global products.

PSG Konsult's response

PSG Konsult manages economic challenges with plans designed to withstand changing market conditions.

As bottom-up investors, PSG Konsult benefits from big economic cycles. The group's approach to buying low and selling high, regardless of prevailing market sentiment, allows it to capitalise on market and economic cycles.

Just as the market appears to assume that a benign credit environment will continue, PSG Konsult expects the next credit squeeze to cause a revision in investor attitudes towards leverage. The market tends to overreact by selling geared businesses with resilient balance sheets and excellent long-term prospects along with the poorer-quality companies with vulnerable balance sheets. This is a source of opportunity for the group.

PSG Konsult's processes and mandates ensure that the group has cash available across its funds for when these once-in-a-cycle opportunities present themselves. The group proceeds with caution when selecting investments but remains optimistic about return potential over the medium to longer term.

New technologies, digitisation and automation enhance PSG Konsult's adviser offering.

The group aims to maintain growth momentum by continuing to focus on improving operational efficiency and productivity and lowering costs with new technology and talent transformations. At the same time, it customises products and services to meet the evolving demands of the emerging digital economy.

The 'complete adviser' is someone who can spend 100% of their time on client relationship building. The group continues to refine its *myPSG* and *myPractice* platforms and makes skilled and strategic appointments to support this area of growth.

LOCAL CONTEXT AND TRENDS

According to the World Bank's *Global Economic Prospects* report, growth in the sub-Saharan African region is estimated at 2.7% in 2018, significantly slower than expected.

Personal income growth remains modest and progress in poverty reduction is limited. Country-specific challenges, like low levels of trust in the government due to large-scale corruption and policy uncertainty, have eroded confidence in many economies.

However, growth is forecasted to rise to 3.4% in 2019, 3.6% in 2020 and 3.7% in 2021, as reduced policy uncertainty helps to support a cyclical rebound in large economies in sub-Saharan Africa.

The JSE experienced its worst year in 2018 since the global financial crisis of 2008. Market sentiment swayed as South Africa's economic reality set in and, compounded by investor aversion towards emerging markets in general, the FTSE/JSE All Share Index ended the 2018 calendar year 9% down in rand terms.

However, South Africa's economy emerged from a technical recession in the second half of 2018, in part owing to improved activity in the agricultural and manufacturing sectors. The South African government announced measures to support the economy through reprioritised spending and structural reforms to improve the business environment and infrastructure delivery.

The World Bank projects that growth in South Africa will recover more slowly than previously expected, to 1.3% in 2019, before rising to 1.7% in 2020 and 1.8% in 2021. Higher growth in 2020 reflects the expectation that the government's structural reform agenda will gradually gather speed, helping to boost investment growth as policy uncertainty recedes and investor sentiment improves.

PSG Konsult's response

The group believes President Cyril Ramaphosa's economic rescue plan will unlock some economic drivers.

If implemented correctly, the R400 billion infrastructure plan announced by President Ramaphosa in September 2018, could be the catalyst South Africa needs to drive domestic demand and job creation.

The Ernst & Young (EY) *South African Growth Barometer* 2019 report shows that confidence in South African middle-market companies has increased, despite uncertainties. According to this barometer, almost one in three middle-market companies predicts growth above 10%.

On the investment front, longer-dated government bonds yield near and above 9%. At these levels, yields will support investment portfolios, especially during tougher market conditions. Even if domestic equities experience headwinds, bond yields should support portfolio returns. Therefore, it is crucial for investors to remember the importance of asset class diversification. Stocks that have been negatively impacted by harsh conditions and volatility can also offer entry points to the market.

PSG Konsult believes that South Africa offers a notable long-term investment opportunity.

Poor returns delivered by the local market create the opportunity for strong potential returns in future. Investors who can avoid being swayed by emotion and who can take a longer-term view may be rewarded. The group continues to find what it believes to be above-average companies and securities at below-average prices. Local and international equity markets present significantly mispriced quality, while South African government bonds offer the potential for equity-like returns at substantially lower levels of risk.

The way PSG Konsult approaches investment considerations is by applying the principles that underpin its process.

It is human nature to prioritise visible evidence and disregard less tangible or less obvious information that may be important. Even the most seasoned investor can fall prey to these biases, so PSG Konsult builds safeguards into its process to mitigate such risks. Through research and analytics, the group identifies and guards against behavioural biases and, once it prioritises information, the group extrapolates this information to draw conclusions about what may or may not happen in future.

A key antidote is to always take a long-term view as this forces one to look beyond prevailing noise. Even though it may feel uncomfortable over the short term, it is important to remain invested and avoid the temptation to move into cash. South Africa has faced significant challenges in its history, so it is worth considering how it has dealt with these and how markets have responded. For a broader context, PSG Konsult looks back over several decades.

PSG Konsult always does its homework. The group believes in the importance of carrying out its own research and has spent considerable time building checklists to help evaluate information objectively, particularly when it contradicts the group's prevailing views. PSG Konsult is open to changing its mind if the facts change.





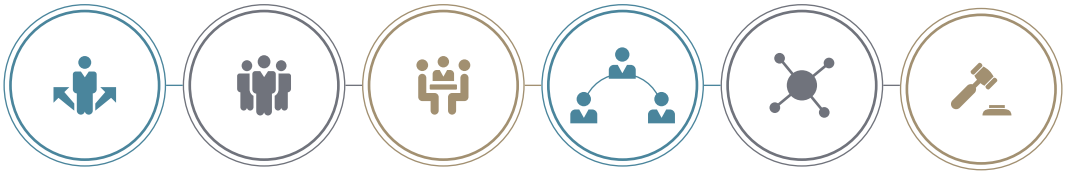
STAKEHOLDERS

Advisers	35
Employees	40
Clients	44
Shareholders and analysts	47
Suppliers, service providers and communities	50
Government, regulatory bodies and industry associates	52

PSG Konsult's mission is to make a difference in the lives of stakeholders by creating and preserving wealth through excellence.

PSG Konsult's stakeholder relationships develop over time as the group interacts with a variety of people.

These relationships have evolved into natural stakeholder groups. The 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. PSG Konsult's primary focus is on the following groups:



Advisers | Employees | Clients | Shareholders and analysts | Suppliers, service providers and communities | Government, regulatory bodies and industry associates

Stakeholder engagement is critical to achieve the group's ambition to be the financial services business partner and employer of choice in the countries in which it operates.

The group strengthens its stakeholder engagement through a range of activities, as discussed per stakeholder group in this section. PSG Konsult recognises the need to adapt, improve and deliver value for stakeholders. In most cases, the group understands its role as the 'relationship owner' and has consolidated its learnings from engagement activities.

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

The board oversees stakeholder management and has an outcomes-based approach when evaluating stakeholder engagement. The management teams of the divisions are responsible for implementing and monitoring stakeholder engagement in their respective areas of business.

ADVISERS

PSG Konsult's competitive advantage is the ability to provide personal service to clients, in the cities and towns where they live.

The capitals of value creation that affect, and are transformed or affected by PSG Konsult's advisers and in the group's engagement with them:



Providing excellent service and building a sustainable business is a team effort.

PSG Konsult recognises the role advisers play in maintaining trusted client relationships and in growing the business. Advisers provide the connection between PSG Konsult and clients.

To ensure that clients receive high-quality advice, advisers are governed by operational procedures and PSG Konsult regulates the advice process.

The group prides itself on the quality and expertise of its advisers.

A major focus for PSG Konsult is to attract and retain advisers with excellent business acumen and the ability to provide meaningful and effective advice to clients.

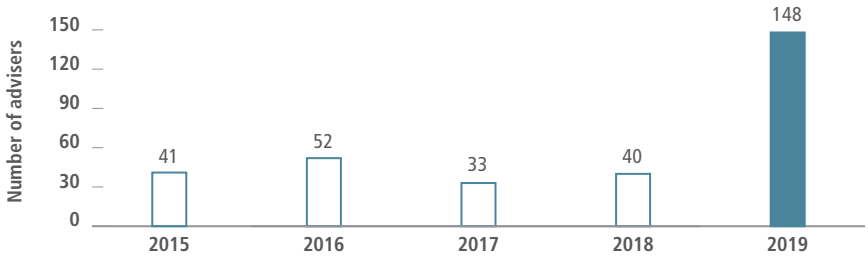
Their ability to attract new clients, advise existing clients and ensure long-term relationships is critical for the PSG Konsult business model to be able to deliver value.

While growth is the objective of the group's strategic focus, expansion takes place with an emphasis on quality over quantity.

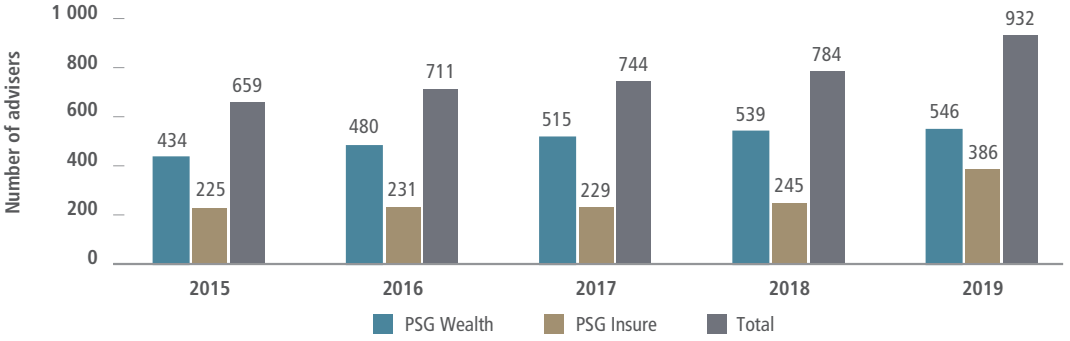
PSG Konsult's adviser learnership programme has seen good growth over the past 11 years and adds quality advisers to the network.

The group is also expanding its adviser network to deliver positive client inflows. It undertakes this through organic growth and selected adviser acquisitions. In 2019, the group's focus was on integrating the insurance advisers who joined the PSG Insure division following the AIFA acquisitions.

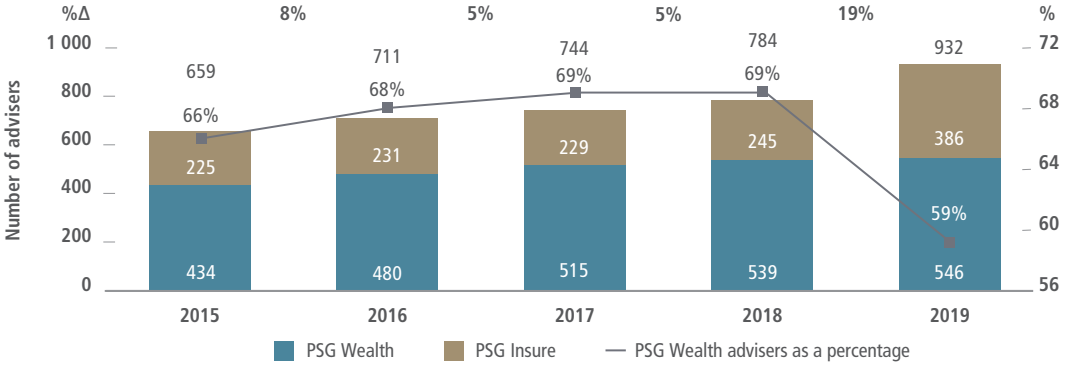
NET NEW JOINERS OVER FIVE YEARS



ADVISERS PER DIVISION OVER FIVE YEARS



GROWING OUR ADVISER BASE



HOW PSG KONSULT CREATES VALUE FOR ADVISERS

PSG Konsult offers advisers a compelling value proposition.

Through its adviser model, the group aims to:

- Stimulate growth for advisers
- Maximise advisers' time with clients
- Save advisers money
- Give advisers and their clients peace of mind
- Increase advisers' professionalism

Advisers have access to business support, infrastructure and systems.

Changing regulatory requirements cause a significant administrative cost and capacity burden for advisers. PSG Konsult creates value for its adviser network by shouldering much of the burden of regulation and administration. This creates an environment in which advisers can focus on delivering high-quality advice and creating relationships of trust with clients.

PSG Konsult's support services to advisers include:

- administrative support: HR, financial and operational;
- due diligence: robust processes when selecting new products and services, including the respective product providers;
- training and development: induction and ongoing development initiatives;
- IT and Customer Relationship Management (CRM): a comprehensive practice management tool, online planning aids and disaster recovery sites;
- technical advisory services: specialist in-house advice on investment planning, tax, legal and more;
- compliance and risk management: PSG Konsult acts as a key individual, provides a wide range of in-house compliance and risk management services and has professional indemnity cover on behalf of advisers;
- marketing support: branding, design and client communication; and
- succession planning: contingency planning.

Advisers take advantage of PSG Konsult's financial services offering, established brand and performance track record.

PSG Konsult advisers are independent.

PSG Konsult advisers participate in an entrepreneurial remuneration model. This means they become integrated into the group's administrative processes and systems, while remaining independent in terms of the products they sell. The model allows them to share in the ownership of their income streams while still maintaining full discretion over where their business is placed.

They are not limited to offering only PSG Konsult products, which is a constraint for tied agents affiliated to many other South African product providers. The group's advisers sell PSG Konsult products in addition to a wide variety of other local and offshore products. This model ensures that 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 more than 200 service and product providers, affording advisers direct access to and visibility of their funds and products. The wide and diverse range of available products allows advisers to remain objective, make independent decisions and choose products that are best suited to their clients' needs. This also protects advisers and clients from contagion risk.

PSG Konsult prepares advisers for macroeconomic events.

Socio-economic events create media hype, swings in market sentiment and volatility, which require a robust advice process. The group engages with advisers through proactive scenario descriptors and responses, which enable them to be on the front foot and ready 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 activated and 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 also adds value for clients, as it supports PSG Konsult's cradle-to-grave approach. This ensures that clients have the comfort of continuity, a consistent approach and historic records throughout their financial life cycle.

PSG KONSULT'S ADVISER VALUE PROPOSITION



FULLY FLEDGED FINANCIAL SERVICES BUSINESS

- Holistic range of products and services
- Respected brand and reputation
- High-performance track record
- Research and development

PSG Konsult best-of-breed products and services

Selected third-party products and services

Wealth management	Asset management	Insurance
• Financial planning • Stockbroking • Estate and trust planning • Employee benefits • Investing	• Local asset management • Offshore asset management	• Personal short-term insurance • Commercial short-term insurance

ENTREPRENEURIAL MODEL

- Standardised revenue-sharing model
- Adviser development programmes
- Centralised support services
- Information systems

- Training and development: induction and ongoing development initiatives
- Administrative support: HR, financial and operational
- Technical advisory services: specialist in-house advice on investment planning, tax, legal and more
- Compliance and risk management: PSG Konsult acts as a key individual, provides a wide range of in-house compliance and risk management services and has professional indemnity cover on behalf of advisers
- Marketing support: branding, design and client communication
- Succession planning: contingency planning and securing the future of your business
- IT and CRM: a comprehensive practice management tool, online planning aids and disaster recovery sites

Adviser network

Clients

SYNERGIES AND CROSS-SELLING OPPORTUNITIES

- Management fees, commission and brokerage
- Management and performance fees
- Insurance premiums and underwriting results

RECURRING RETURNS OVER THE LONG TERM

ADVISER ENGAGEMENT

The group shares an articulated strategy and achievable growth targets with its advisers and offers them products and services with a demonstrable growth record.

Senior management ensures that communication channels with advisers are open, honest and effective. Formal and ad hoc meetings, conferences and strategy and work sessions are held with advisers throughout the year.

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

- **Annual conference** – PSG Konsult holds an annual conference to which it invites advisers and professional associates from the markets in which it operates. The purpose is to engage with the group's leadership on strategic objectives, identify potential client product and service opportunities, discuss the impact of changes in the regulatory environment, and unpack related industry trends. The theme of the conference held in May 2018 was 'Game ON', denoting that continued success requires the group and advisers to look for growth opportunities that stretch traditional boundaries. International speakers included Tim Harford, author of *The Undercover Economist*; digital experience and global wealth marketing strategist April Rudin; and behavioural analyst Brian Parsley.
- **Adviser strategy sessions** – Bi-annual adviser strategy sessions are held with selected advisers to allow management the opportunity to conduct focused strategic discussions on industry-related issues and challenges in the intermediary space. It is also an opportunity to share adviser success stories.
- **Adviser work sessions** – Bi-annual work sessions are held to 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 client relationship management system (*myPractice*).
- ***myPSG* platform** – This provides clients with an intelligent dashboard view of their PSG Konsult products and information on other products invested in via a PSG Konsult adviser. It also allows clients to access important documentation, such as Financial Intelligence Centre Act, No. 38 of 2001 (FICA) documents, calculators and news feeds. Advisers can access their clients' details by using a single login to see share and fund information, statements and transactional level information.

Developing an adviser talent pipeline

The PSG Konsult graduate programme

The group hired 68 newly qualified graduates (88% of which are African, coloured and Indian (ACI) candidates) in the current year.

Part of PSG Konsult's transformation initiative is to place graduates for a two-year period within adviser offices to grow the group's ACI employee numbers. The graduates are exposed to various areas within the office, for example *myPractice* coordination, claims, underwriting, soft skills, product and technical training.

The aim after the two-year programme, is to employ them permanently in the respective offices, either in support roles or as wealth managers. Currently 28 graduates are now employed at adviser offices, 6 at Insure adviser offices and 22 at Wealth adviser offices.

The PSG Insure learnership and internship programmes

The twelve-month, work-based PSG Insure learnership programme is aimed at creating a talent pipeline of young ACI learners by equipping them with a solid foundation of insurance knowledge, qualifications and experience.

The focus is to help unemployed learners gain employment by providing them with the opportunity to study towards a full short-term insurance qualification and gain meaningful work experience. This is followed by the twelve-month PSG Insure internship programme, where learners are required to work under supervision to qualify as a registered representative.

We have two learners and five interns in the PSG Insure programme, and a further three learners are part of the Santam programme.

EMPLOYEES

PSG Konsult employs 2 886 people across South Africa, Namibia, Guernsey, Malta and Botswana.

The capitals of value creation that affect, and are transformed or affected by PSG Konsult's employees and in the group's engagement with them:



PSG Konsult offers employees occupation and training, enabling them to improve their skills and develop their careers.

The group believes in a culture of performance and meritocracy, where income, promotion and progression are always based on individual excellence and the overall betterment of the group.

The development of employees is a priority for PSG Konsult to ensure long-term well-being and job security. The group offers employees career enhancement opportunities. These include bursaries and study loans that allow employees to enrol for part-time or full-time studies for work-related disciplines or specialist fields that will meet future business requirements.

As is the case with other financial industry players, PSG Konsult requires a range of specialist skills in the following areas:

- asset management;
- data analytics;
- legal and compliance, risk management and finance;
- product specialists;
- actuarial;
- engineering;
- short-term insurance underwriting; and
- system architects.

PSG Konsult offers employment opportunities to:

- bursary and internship applicants;
- graduates; and
- mid-career professionals.

Employees are the most significant source of human capital and provide a critical input into PSG Konsult's business model.

The ability and willingness of employees to perform at high levels are integral to successfully delivering on the group's strategic objectives. To create and sustain a diverse, high-performance culture, the group invests in performance management and employee development initiatives for which the centralised HR function is responsible.

PSG Konsult has continued increasing its staff complement in areas like IT to optimise client experiences, and in legal and compliance and risk management, due to the increased regulatory burden on the financial services industry.

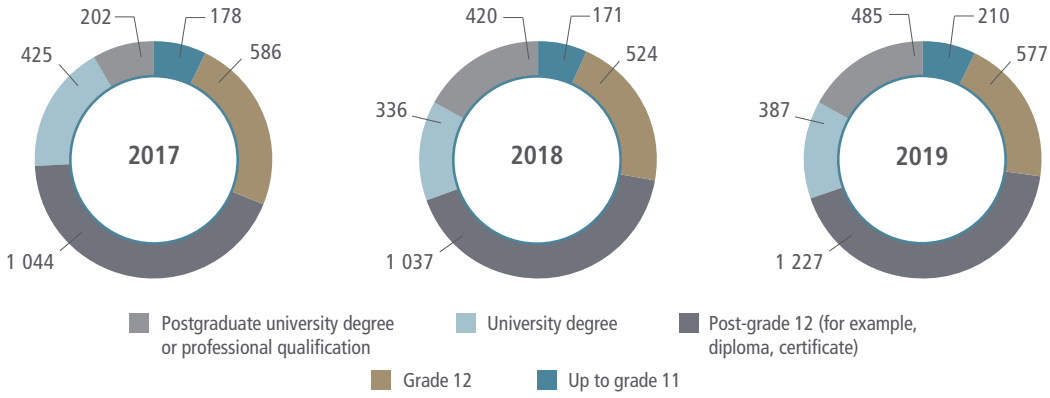
GROWTH IN EMPLOYEE NUMBERS

Number of employees per division	2019	2018	2017
PSG Wealth	**1 594**	1 537	1 560
PSG Asset Management	**101**	93	95
PSG Insure	**1 191**	858	780
Total	**2 886**	2 488	2 435

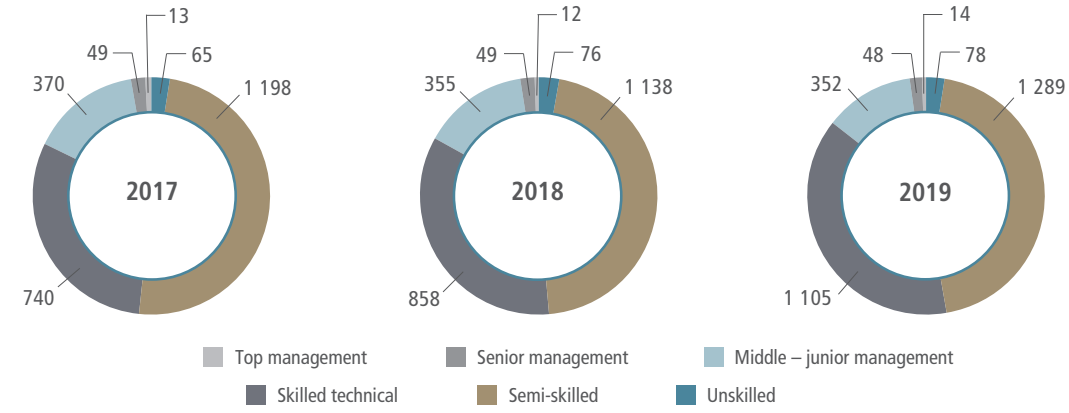
Number of employees per geography	2019	2018	2017
South Africa	**2 823**	2 440	2 390
Namibia, Guernsey, Malta and Botswana	**63**	48	45
Total	**2 886**	2 488	2 435

EMPLOYEE DEMOGRAPHICS

Education (number of employees)



Hierarchy (number of employees)



HOW PSG KONSULT CREATES VALUE FOR EMPLOYEES

PSG Konsult's employees are integral to the functioning 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, ensuring that employees receive equal advancement opportunities.
- The social and ethics committee monitors the ethical conduct of employees, ensuring that they work in a safe environment where they can fulfil their potential.
- The remuneration committee is responsible for developing and implementing fair remuneration practices that are applied consistently throughout the group. This ensures that employees' performance is recognised and rewarded.

The PSG Konsult bursary and graduate programme creates a pipeline of young talent in the financial services industry.

It 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. 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.

Because of the increasing importance of digitisation in the financial services space, PSG Konsult's current focus includes attracting students with Science, Technology, Engineering and Mathematics (STEM) skills.

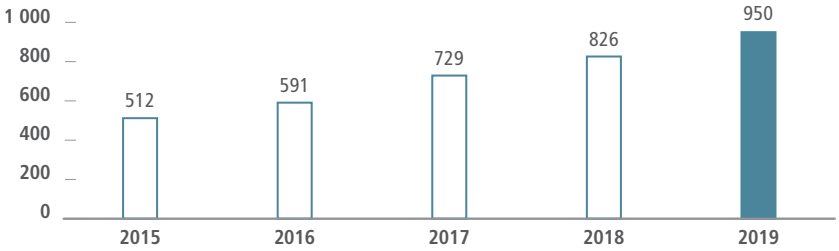
During the financial year, 40 graduates joined the programme, who all completed the internship and were subsequently employed.

Employees attend an annual wellness day, where PSG Konsult offers preventative wellness screenings.

The screenings alert employees to their current health and lifestyle risks and offers them advice on what to do about those risks. The screenings include glucose, cholesterol, blood pressure, weight, height, body mass index and HIV tests. Professional wellness specialists are available to provide counselling to employees throughout the day.

PSG Konsult employees also have access to health and safety representatives in the workplace.

REVENUE CREATED FOR EMPLOYEES (Rm)



EMPLOYEE ENGAGEMENT

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.

This programme highlights the importance and value of employees and is upfront about the group's core business principles that define its values and behaviours. The programme helps new employees to adjust as quickly and comfortably as possible to the new working environment. It also aims to achieve 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 and responsibilities that are agreed upon between the employee and their line manager.

This aligns the time and effort contributed by every individual 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.

Read more about employee remuneration in the remuneration report from page 104.

Continuous employee training, information sessions and seminars include training on preparing and delivering presentations, and engagements on tax updates, regulatory requirements and new systems.

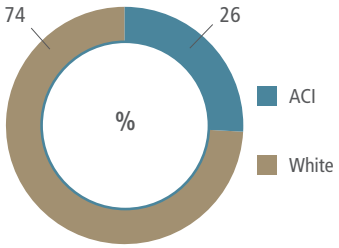
TRANSFORMATION

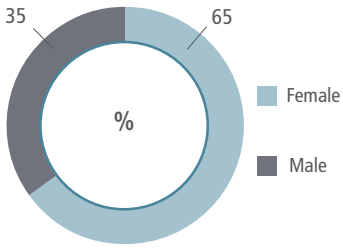
PSG Konsult considers transformation to be a sustainable business imperative.

The group has seen a continual improvement in the ACI numbers over the last few years. The group continues to monitor and improve the recruitment and retention of ACI employees.

Employee demographics as at 28 February 2019

Number of people employed by PSG Konsult: 2 886 (2018: 2 488)





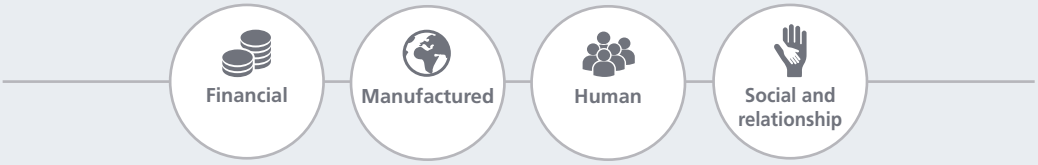
PSG Konsult received a level 8 contributor score for the BBBEE verification done by AQRate Verification Services in terms of the Amended Financial Sector Generic Scorecard. The verification of the group's 2019 performance is still being finalised.

The industry requires unique and specialised skills that are not easily available. PSG Konsult promotes the industry and the group to graduates, hence the effort since 2008 to attract and develop young talent through the employee and adviser graduate and bursary programmes. The group works with the Association for Savings and Investment South Africa (ASISA) and other industry players to address transformation in financial services.

CLIENTS

PSG Konsult enables clients to grow and preserve their wealth to meet their long-term needs and aspirations.

The capitals of value creation that affect, and are transformed or affected by PSG Konsult's clients and in the group's engagement with them:



Clients pay PSG Konsult for advice, products and services, thereby creating financial capital through a sustainable income stream. PSG Konsult also invests funds on their behalf and according to their instructions. The group has R422 billion of assets under administration and R222 billion of assets under management.

PSG Konsult's more than 200 000 clients are predominantly South African and consist mainly of retail clients in higher-income groups and selected institutional clients. PSG Konsult believes in servicing clients where they reside, through the group's broad geographic footprint of advisers.

Client retention is central to the group's long-term profitability.

PSG Konsult is focused on client-centricity. This ensures that clients' experience of the group's products and services, and their relationships with advisers, continue to improve while their financial wellness increases. Client retention initiatives are built into the value chain, including post-sale client service and claims management. This ensures that the group writes and retains high-quality business.

HOW PSG KONSULT CREATES VALUE FOR CLIENTS

The group provides peace of mind when it comes to clients' money over the long term.

PSG Konsult offers long-term financial solutions, enabling clients to protect their assets and grow their wealth. Decisions are weighed according to their value to clients. This is supported by a disciplined and consistent approach to delivering appropriate financial advice, backed by an established brand and a track record of performance.

PSG Konsult keeps up with industry trends to ensure that client expectations are met and exceeded.

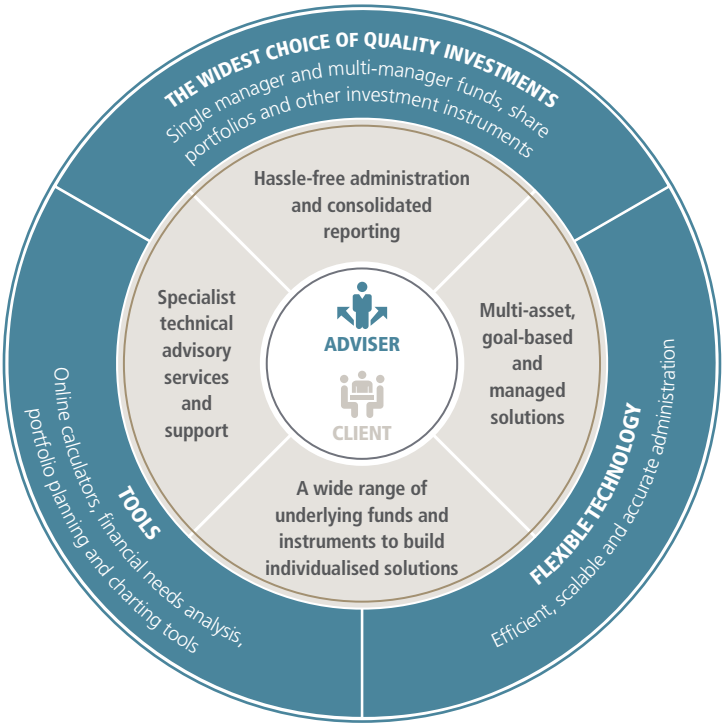
The political and economic landscape, technologies and client expectations change rapidly. To confront this fast-evolving world, the group adapts with the changes. PSG Konsult offers clients up-to-date advice, good service and quality products that are tailored to their needs and expectations.

The group's multi-channel distribution approach ensures that clients are reached and serviced through their preferred channel. The distribution model is continually adapted to changing client preferences, with increased focus placed on further improving the group's digital capability.

PSG Konsult takes its fiduciary duty seriously 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 before accepting new products and services, which includes the respective product 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 numerous reviews to make sure the controls and processes surrounding clients' assets are sufficiently secure and effective; and
- has not received an adverse ruling against the group since the establishment of the ombudsman for financial service providers, confirming the integrity of its products and its excellent service to clients.

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

- The customer service review committee ensures that 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's product governance committee confirms that approved products adhere to the group's risk appetite and meet clients' risk versus return requirements.

Client value proposition: PSG Wealth

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

Through its extensive distribution network, the division makes a range of local and offshore investment products and instruments available to investors.

PSG Wealth's investment and trading platform offers a range of PSG and other investment management companies' unit trusts. These are complemented by the tools to help navigate them.

The division is focused 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; and
- quarterly, monthly and daily communications.

Growth in new clients can be attributed to client referrals, which is testament to the client-service excellence of 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. PSG Asset Management is focused on positioning 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 more consistency across the fund range
- Quarterly and monthly communications

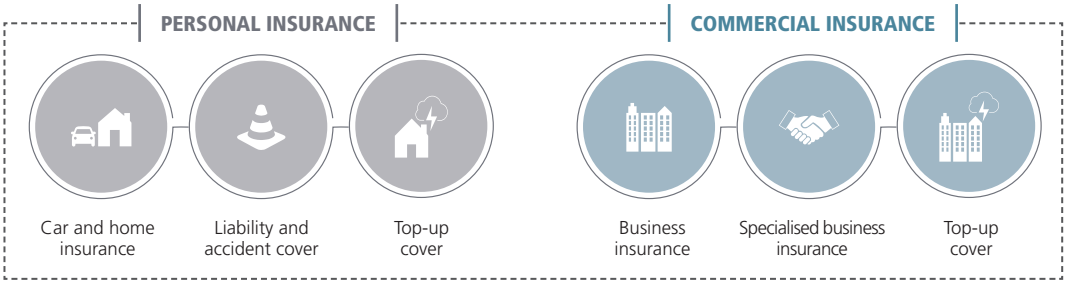
Client value proposition: PSG Insure

PSG Insure protects clients from the impact of unforeseen events through customised short-term insurance solutions.

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 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)
  - Various distribution channels extending reach and accessibility
  - Quality and diversity of product range
  - Personalised service

PSG Insure offers a full range of short-term insurance products:



CLIENT ENGAGEMENT

Client engagement happens frequently through a variety of channels:

- The *myPSG* integrated online platform provides clients with a dashboard view of their portfolio across the PSG Konsult group. This offers secure online access, since login credentials are required for one site and the risk of data being compromised is reduced.
- Client newsletters keep clients informed about macroeconomic factors and trends, investment opportunities, new products and services.
- Securities platform trade notes, investment insights and the views and trade ideas of the equity research team are shared with clients daily.

PSG Konsult's client engagement focus was on direct client contact through the group's adviser network, client events and webinars.

This type of direct contact supports the group's business principle of building trusted relationships with clients. It also creates a better understanding of financial products, services and processes, ensuring an increased uptake of appropriate products and services.

PSG Konsult welcomes client feedback – positive and negative.

The group is committed to improving its client interactions. Client feedback provides an understanding of where the group is falling short of expectations and enables improvement.

SHAREHOLDERS AND ANALYSTS

This integrated report is our primary report to shareholders and contains information relevant to other stakeholders.

The capitals of value creation that affect, and are transformed or affected by PSG Konsult's shareholders, as well as analysts and in the group's engagement with them:



PSG Konsult's shares are traded on the JSE, with secondary listings on the NSX and SEM. PSG Group Limited has been a long-term core shareholder with a 59.4% shareholding in PSG Konsult. The balance of the shares is owned by PSG Konsult's directors, employees, advisers, institutional investors and members of the public.

Shareholders provide financial capital to PSG Konsult. To assist clients in doing research on investment opportunities, analysts issue independent research reports to their institutional clients. PSG Konsult's track record and prospects inform analysts' recommendations and shareholders' investment or disinvestment decisions.

The group strengthened its institutional investor shareholder base, which now constitutes 14.8% (2018: 13.7%) of the total shareholding. Coronation Asset Management was the largest institutional investor, increasing its shareholding to 8.7% from 8.0% in 2018.

	2019		2018	
Distribution of shareholders[1]	**Number of shares**	**% of total**	**Number of shares**	**% of total**
Non-public				
PSG Group (through PSG Financial Services)	**810 058 551**	**59**	810 058 551	60
PSG Konsult directors	**92 910 786**	**7**	90 844 971	7
Management	**23 495 850**	**2**	22 752 305	2
Treasury shares	**28 217 844**	**2**	24 789 555	2
Public				
Coronation Asset Management	**119 205 664**	**9**	107 563 477	8
Public Investment Corporation (including Government Employees Pension Fund)	**21 498 868**	**2**	20 963 968	2
Allan Gray	**12 136 251**	**1**	–	–
Other public shareholders	**257 361 304**	**18**	265 269 381	19
Total	**1 364 885 118**	**100**	1 342 242 208	100

[1] *Includes treasury shares held.*

Spread of listed holdings – number of shareholders[1]	2019 Number of shareholders	2019 % of total	2018 Number of shareholders	2018 % of total
Category				
Over 1 000 000	**110**	**3**	105	3
500 001 – 1 000 000	**65**	**2**	53	1
100 001 – 500 000	**233**	**6**	231	6
50 001 – 100 000	**200**	**5**	166	4
1 – 50 000	**3 161**	**84**	3 208	86
Total	**3 769**	**100**	3 763	100

[1] *Includes treasury shares held.*

Spread of listed holdings – number of shares[1]	2019 Number of shares	2019 % of total	2018 Number of shares	2018 % of total
Category				
Over 1 000 000	**1 230 788 556**	**90**	1 217 999 567	91
500 001 – 1 000 000	**45 237 685**	**3**	38 217 773	3
100 001 – 500 000	**50 142 237**	**4**	49 480 342	3
50 001 – 100 000	**13 634 017**	**1**	11 446 501	1
1 – 50 000	**25 082 623**	**2**	25 098 025	2
Total	**1 364 885 118**	**100**	1 342 242 208	100

[1] *Includes treasury shares held.*

Trading statistics	2019	% change	2018
Number of shares in issue	**1 364 885 118**	**2**	1 342 242 208
Number of shares traded	**83 533 180**	**(9)**	91 863 005
Value of shares traded (R)	**813 471 071**	**6**	766 732 848
Market price (cents per share)			
• Closing	**1 074**	**23**	870
• High	**1 110**	**18**	940
• Low	**860**	**15**	750
Recurring headline earnings per share (recurring HEPS) (cents)	**44.6**	**4**	43.0
Recurring headline earnings per share (excluding intangible amortisation cost) (cents)	**48.4**	**5**	46.4
Earnings yield percentage (recurring HEPS)	**4.2**	**(14)**	4.9
PE ratio (recurring HEPS)	**24.1**	**19**	20.2
PE ratio (recurring HEPS excluding intangible amortisation cost)	**22.2**	**18**	18.8

HOW PSG KONSULT CREATES VALUE FOR SHAREHOLDERS AND ANALYSTS

The group's responsible approach to capital management and the investment strategy creates sustainable returns on shareholders' investments.

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

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.

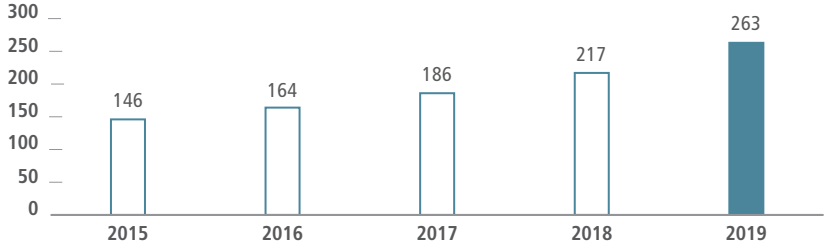
PSG Konsult distributes the financial value it creates to shareholders via dividend payments. The dividend is set with reference to underlying core operating earnings, taking cognisance of the need to:

- 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; and
- maintain a dividend payout 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 a priority for the group to create value for shareholders by maintaining a balance between the payment of 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.

Revenue created for shareholders (Rm)



SHAREHOLDER AND ANALYST ENGAGEMENT

The investor relations responsibility at PSG Konsult is under the guidance of the chief financial officer.

Formal interaction with shareholders and analysts occurs through:

- The JSE Stock Exchange News Service (SENS) announcements, results presentations, media releases, the website and interim and year-end results (including the integrated report).
- PSG Konsult's annual general meeting, which shareholders attend and where they vote on the appointment of directors, the audit committee, the external auditor, the groups remuneration policy and implementation report and various resolutions proposed by management and the board.
- PSG Konsult's bi-annual investor roadshow presentations to analysts and institutional investors, locally and abroad, which include one-on-one meetings.
- PSG Konsult's participation in a variety of investor presentations and functions hosted by financial or research institutions.

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.

The capitals of value creation that affect, and are transformed or affected by PSG Konsult's suppliers, service providers and communities and in the group's engagement with them:



The group makes use of various product suppliers and service providers for an array of products and services to support business operations.

Suppliers and service providers offer the support that enables PSG Konsult to create value through its business activities. They provide manufactured, human and social and relationship capital. This ranges from technology systems and services to cleaning, security and creative agency services. PSG Konsult relies on suppliers and service providers for stability, so the group's relationships with these stakeholders are central to the smooth running of the business.

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

Communities are the source of current and future employees, suppliers, service providers, shareholders and clients.

Investing in the empowerment of these communities ensures that PSG Konsult will have a future pool of skilled employees and clients available. The communities that 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 invests in developmental, educational and social programmes.

ASISA enterprise and development programme

The ASISA enterprise and development initiative invests in the sustainability of small and medium-sized enterprises (SMEs) in South Africa. It also supports government's drive for job creation and economic growth. PSG Konsult has invested R22 million in the fund since February 2015.

PSG Konsult bursary programme

The PSG Konsult bursary programme provides bursaries of R100 000 each to at least 10 promising students (presently 10 students) every year. The programme conducts career fairs at several universities annually.

PSG core graduate programme

The graduate programme is a structured 12-month programme aimed at bringing young talent into the group. The programme develops, nurtures and employs graduates, enabling them to take ownership of decisions and realise their full potential. It also achieves business objectives such as transformation, building a talent pipeline and developing future leaders of the business.

The programme focuses on hiring graduates with STEM as areas of specialisation. To date, PSG has maintained a high retention rate of graduates who have successfully completed the programme. The programme is in its fourth year and the intake has grown to 40.

PSG Adopt-a-School Programme

The PSG Adopt-a-School Programme addresses inequalities and inadequacies in rural areas by enhancing the learning and teaching environment in disadvantaged schools. To date, PSG has adopted three schools that have more than 1 250 learners. These schools are near urban hubs and areas where the group operates, ensuring that PSG employees can provide hands-on support.

Childcare and children's homes

Childcare centres and children's homes provide support to children in need in local communities. The homes work with churches, schools, government bodies and other support organisations to assist children in need, particularly orphans and vulnerable children. PSG Konsult provides the care centres and homes with monthly food parcels and funding.

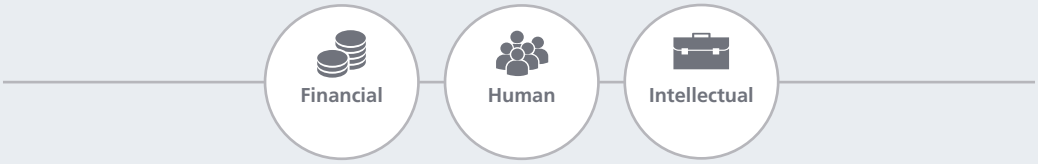
Local community involvement

The various PSG Konsult offices are active within the local community it serves. The focus of these local programmes is on communities with historically disadvantaged backgrounds. Given the group's extensive footprint in South Africa, these initiatives have a far-reaching impact at grassroots level.

GOVERNMENT, REGULATORY BODIES AND INDUSTRY ASSOCIATES

PSG Konsult's responsible business practices and governance structures assure government and regulatory bodies of the group's contribution towards a sustainable, growing, stable and well-functioning financial services industry.

The capitals of value creation that affect, and are transformed or affected by government, regulatory bodies and PSG Konsult's industry associates, and in the group's engagement with them:



Government and regulators ensure that the financial industry remains sound.

This includes verifying that regulated entities comply with relevant legislation and capital adequacy requirements to promote the financial soundness of these entities and thereby protect the investment community over the long term. 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 engages with the Financial Sector Conduct Authority (FSCA) and the Prudential Authority (PA) in South Africa, the Namibia Financial Institutions Supervisory Authority (NAMFISA) in Namibia, the Guernsey Financial Services Commission (GFSC) in Guernsey, the Malta Financial Services Authority (MFSA) in Malta, and the Non-bank Financial Institutions Regulatory Authority (NBFIRA) in Botswana.

PSG Konsult is represented in various capacities on a range of industry bodies in South Africa. With support from its legal and compliance department, it also reviews and provides comments on forthcoming legislation that affects the business.

The group is committed to playing an integral role in the financial services industry by participating in discussions and lobbying for positive reform where possible. Industry associations provide a platform to collectively lobby the government and regulators on matters relevant to the financial services industry and its stakeholders. PSG Konsult holds membership of or participates in several financial services institutions, associations and committees.

PSG Konsult has 24 regulatory operating licences across its range of financial services, 17 in South Africa and 7 in foreign jurisdictions. These necessitate a close and mutually beneficial working relationship with regulators.

PSG Wealth

Holder	Issuer
PSG Multi Management	FSCA
PSG Invest	FSCA
PSG Life	FSCA and PA – South African Long-term Insurance licence
PSG Employee Benefits	FSCA
PSG Securities	FSCA, JSE
PSG Wealth Management (Namibia)	NSX
PSG Financial Planning (Namibia)	NAMFISA

PSG Asset Management

Holder	Issuer
PSG Asset Management	FSCA
PSG Collective Investments (RF)	FSCA
PSG Fund Management (CI)[1]	GFSC
PSG Fund Management (Malta)[1]	MFSA

[1] *PSG Konsult holds licences in Guernsey and Malta, which allows the group to market offshore funds that are in line with Class B Scheme Rules (Guernsey) and UCITS compliant (Malta) to potential offshore investors.*

PSG Insure

Holder	Issuer
Western Administration Services	FSCA
Western National Insurance (Namibia)	NAMFISA
Western National Insurance (South Africa)	FSCA and PA – South African Short-term Insurance licence
Western Insurance Botswana	NBFIRA – General Insurers
Western Life Insurance Botswana	NBFIRA – Long-term Insurers
Western Engineering Risk Specialists	FSCA

Various divisions

Holder	Issuer
PSG Wealth Financial Planning	FSCA
PSG Konsult Treasury	JSE

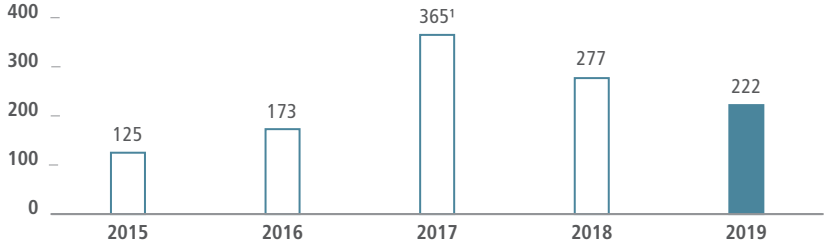
HOW PSG KONSULT CREATES VALUE FOR GOVERNMENT, REGULATORY BODIES AND INDUSTRY ASSOCIATES

PSG Konsult participates in efforts to improve the stability and sustainability of the financial services industry.

Regulatory changes have a significant impact on the way in which financial services companies operate. The group strives to be an early adopter of new regulations and plays an active role in these developments.

The group also pays tax to the government in the countries in which it operates, according to the relevant tax legislation of the respective jurisdictions.

Revenue created for government, regulatory bodies and industry associates (Rm)



[1] *2017 includes the PSG Life tax matter settlement.*

ENGAGEMENT 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 FSCA and PA 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.





STRATEGY

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STRATEGY DEVELOPMENT PROCESS

PSG Konsult aims to create a robust business that generates sustainable recurring revenues at an acceptable margin.

PSG Konsult makes decisions by applying a measured approach, underpinned by three fundamental financial business objectives:

- Recurring revenues
- Margin enhancing
- Risk versus return

The board and senior management are responsible for setting the business strategy.

The group believes that any business issue can be quantified, measured and managed through an analysis of business matters and detailed preparation.

Setting PSG Konsult's strategy is an iterative process – the group provides initial guidance to the divisions for the development of their respective strategies. These in turn inform the final group strategy and annual resource allocation through the divisional budgets. Feedback loops secure buy-in from line management within each division. This results in the coordination, alignment and cohesion of management team targets, projects and priorities to best achieve strategic goals.

Building a cost-efficient and scalable business is a priority.

Attention is paid to the group's cost structure, cost-to-income ratio and operating margins as each division grows. The focus is on execution and implementation to achieve business priorities. The emphasis in 2019 was on integrating the increased Insure adviser base, strengthening PSG brand awareness and enhancing our infrastructure and digital platforms.

PSG Konsult's strategy development process considers the group's risk appetite and risk management approach.

The group's preference is for organic growth that delivers a net revenue margin at an appropriate unit of risk, with acceptable trade-offs. This includes avoiding risk events that have a low probability but a severe potential impact, should they materialise.

Read more about PSG Konsult's risk appetite and risk management approach in the risk report from page 100.

Since its establishment, PSG Konsult has moved through three strategic phases into an extended growth phase.

Read more about each phase in the milestones on page 18.

Since 2013, the group has focused on growth, defined as sustainable top-line revenue growth with increased focus on margin enhancement via business process scalability and a client-centric service focus. Growth is supported by building robust, scalable business processes and platforms through automation.

PSG Konsult's experienced management team and purpose-designed infrastructure allow the group to consider new business opportunities. The group has a small estimated market share in its respective chosen markets, offering an extensive opportunity for future growth:

PSG Wealth

3–5% market share

PSG Asset Management

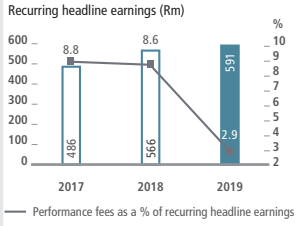
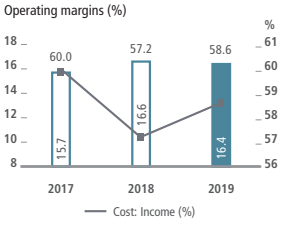
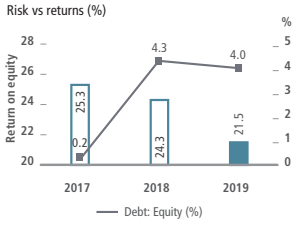
2–3% market share

PSG Insure

1–3% market share

STRATEGY IMPLEMENTATION AND SUPPORT

To ensure that performance is sustainable over the long term, the group monitors and measures progress in implementing its strategy. The execution and implementation of the group's financial business objectives continue to form the basis of its strategic focus:

Financial business objectives	Recurring revenues	Margin enhancing	Risk versus return
Strategic intent	Focus on generating recurring income, which leads to enhanced sustainable earnings.	Optimise the profit margin to ensure that an acceptable return on capital is earned.	Maximise every rand earned relative to an acceptable unit of risk.
Execution and implementation	• Daily analysis and monitoring of new client money inflows • Dashboards and exception reporting • Operating costs structured as variable, where possible • Strengthened 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	• Streamlined systems and processes to reduce operational risk and increase efficiency • Focus on product and service 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 with aim to achieve system scalability and achieve straight through processing	• Reduced financial leverage by repaying debt, and improved credit rating • Exiting business areas and products that carry undue risk relative to their earnings contribution • Three layers of defence risk management
Performance in 2019			

Read more about how each of PSG Konsult's divisions contributes to the financial business objectives, as well as the strategic initiatives on page 58, in the divisional reports from page 65.

PSG Konsult effects several strategic initiatives to support its growth aims.

The critical capabilities required to achieve the group's vision include attracting and retaining the right people, selling high-quality products and hosting products on excellent platforms. As part of the budgeting process, each division identifies actions to support and drive the following focus areas.

Plant the flag	The plant the flag initiative aims to invigorate new investment inflows and increase the group's footprint and number of advisers, resulting in new business revenue and asset and premium flows.
Direct clients	The group aims to optimise the client digital journey experience from initial onboarding to transacting and reporting. The objective is to provide clients with the ability to access a comprehensive range of suitable financial products and services through our integrated platform, via a single sign-on process.
Client-centricity	The client-centricity initiative aims to ensure that business units consider potential client impact before acting or communicating with clients. It focuses on getting the basics right and providing quality documentation across divisions in plain language, while maintaining data integrity. Client-centricity also includes a review of operational incidents and complaints to enhance systems and identify opportunities to improve practices. Execution of this project results in improved client satisfaction and full adherence to TCF.
Platforms	To improve PSG Konsult platforms, this initiative entails platform process reviews to optimise the client's experience. It rests on a philosophy and a mindset that doing business should be easy. The aim is to attract and retain clients through leading-edge technology and excellent user experience, including tools to guide clients to optimal outcomes.
Product enhancement	The product enhancement initiative aims to provide clients and advisers with choice and flexibility at a competitive price, thereby improving the quality of service, client retention and net new inflows.

CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER'S REPORT

Francois Gouws
Chief executive officer



Mike Smith
Chief financial officer



The following table summarises the group's key operational and financial performance indicators:

	2019	% change	2018
Headline earnings (R000)	**603 888**	**7**	566 396
Recurring headline earnings (R000)	**591 099**	**4**	566 396
Recurring headline earnings (excluding intangible assets amortisation cost) (R000)	**641 328**	**5**	610 029
Headline earnings per share (cents)	**45.6**	**6**	43.0
Recurring headline earnings per share (cents)	**44.6**	**4**	43.0
Recurring headline earnings per share (excluding intangible assets amortisation cost) (cents)	**48.4**	**5**	46.4
Assets under management (Rbn)	**222.2**	**8**	205.4
Assets under administration (Rbn)	**421.5**	**5**	402.1
Underwriting premium income (R000)	**936 761**	**3**	909 037
Cost:net income ratio (%)	**58.6**	**3**	57.2
Debt:equity ratio (%)	**4.0**	**(7)**	4.3
Return on equity (%)	**21.5**	**(12)**	24.3
Return on equity (excluding performance fees) (%)	**20.9**	**(6)**	22.2
Operating margin (%)	**16.4**	**(2)**	16.6
Operating margin (excluding performance fees) (%)	**16.0**	**3**	15.5

PSG Wealth

Assets under management
7%
to R175 billion

Assets under administration
4%
to R374 billion

Net inflow of managed assets
R10 billion

PSG Asset Management

Assets under management
11%
to R47 billion

Assets under administration
14%
to R118 billion

Net inflow of managed assets
R6 billion

PSG Insure

Gross written premium
36%
to R4.5 billion

Underwriting margin
8.9%
from 8.3%

FINANCIAL PERFORMANCE

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

The group achieved these results against a backdrop of challenging operating conditions, which included a weak economy, subdued consumer sentiment and negative returns on local equity markets and currency volatility. The performance of our key operating and financial metrics under these conditions demonstrates our competitive advantage and the resilience of our business model.

Total assets under management increased by 8% to R222 billion, comprising assets managed by PSG Wealth of R175 billion (7% increase) and PSG Asset Management of R47 billion (11% increase), while PSG Insure's gross written premium amounted to R4.5 billion (36% increase).

The decline of 4% in the current year of the JSE/FTSE All Share Index, compared to a positive return of 14% in the previous financial year, had a pronounced impact on performance fees, investment income earned on shareholder assets and overall fee income growth. Performance fees earned constituted only 2.9% of headline earnings in comparison to 8.6% in the previous financial year.

Growth in recurring headline earnings is evidence of the group's ability to create long-term value.

This is supported by a sustained focus on diversifying our income streams in terms of products, services and geographies. PSG Konsult's recurring headline earnings increased by a CAGR of 15% since 2015, demonstrating the group's ability to deliver sustainable growth.

One of the group's key internal measures of success is the ability to attract net new money:

- A total of R10.0 billion of net new money was received by the PSG Wealth business compared to R11.8 billion in the previous year.
- PSG Asset Management attracted R5.9 billion of positive net client inflows (2018: R7.9 billion).
- Gross written premium in PSG Insure increased to R4.5 billion (2018: R3.3 billion).

Read more about the performance of PSG Wealth, PSG Asset Management and PSG Insure in the divisional reports from page 65.

CORPORATE ACTIVITY

Our organic growth strategy is to identify opportunities that will either expand our adviser footprint or enhance our overall client-service offering.

To align with this strategy, we concluded the following noteworthy transactions during the current year that were funded from existing cash resources. The transactions will be integrated into PSG Konsult's existing business operations and we foresee a positive contribution to the long-term growth of the group:

- PSG Insure concluded the acquisition of AIFA's brokerage businesses. PSG Insure fully expensed upfront costs incurred in setting up the required office infrastructure to facilitate this acquisition. These two transactions enhanced PSG Insure's footprint across South Africa and is already contributing to the group's profitability.
- The Western Group's short- and long-term insurance licenses in Botswana were approved during July 2018, with initial costs incurred in setting up this new business operation expensed in the current year. The business is performing in line with expectations and is expected to break even during the new financial year.
- PSG Insure concluded an agreement to acquire the remaining 40% shareholding in the Western Group's Namibian entities, held by Santam, effective 1 November 2018. Post this transaction, Western Namibia and Western Botswana are wholly owned.
- We again concluded a few smaller earnings accretive acquisitions to strengthen our organic growth strategy.

We continue to grow our adviser force as part of our commitment to serve our clients better.

Besides individual advisers who joined our ranks, we welcomed several commercial and personal lines advisers into the group following the completion of the AIFA transactions. New advisers are onboarded in line with group objectives and we now have a team of 932 advisers.

PSG Konsult completed a secondary listing on the SEM on 27 November 2018.

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

REGULATION

On 1 April 2018, two new regulators came into operation.

The Twin Peaks model of financial sector regulation in South Africa seeks to promote and maintain financial stability as a core objective. The two new regulators are the Prudential Authority and the FSCA, which replaced the Financial Services Board (FSB).

One of the important regulatory developments implemented by the Prudential Authority is the SAM regime. SAM adopts the principles of Solvency II, adapted to specific South African circumstances where necessary.

Other key regulatory changes were the beginning of the phased implementation of the Retail Distribution Review (RDR), changes to the Policyholder Protection Rules (PPR) as well as the impending Default Regulations. Elsewhere, the introduction of similar legislation has changed the adviser market and the way financial products are distributed. It has increased the barriers to entry, increased the potential revenue per adviser, and resulted in industry consolidation. This is an opportunity for PSG Konsult since we have the necessary platforms, systems and practices to take on advisers seamlessly and provide operational support that meets regulatory requirements.

The group is an active participant in industry bodies and working committees and we regularly engage with industry peers and regulators. We are also an early adopter of regulation and have completed four rounds of Own Risk and Solvency Assessment (ORSA) reports, with continuous enhancements.

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

Accounting policies

The group adopted the new accounting standards as issued by the International Accounting Standards Board (IASB), which were effective from 1 March 2018:

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

Read more about the impact of these standards in note 35 to the group financial statements and note 20 to the company financial statements.

CAPITAL MANAGEMENT

PSG Konsult is strongly capitalised and complies with the capital requirements of SAM.

We have minimal interest-bearing debt and an SCR ratio of 1.82 based on the latest insurance group return. Our strong financial position was also affirmed in the long- and short-term investment grade national scale ratings assigned to PSG Konsult by rating agency Global Credit Rating Co. (GCR) of A-(ZA) and A1-(ZA), respectively, with a stable outlook.

Dividend

Given the solid performance of the group, the board decided to approve and declare a 10% increase in the final gross dividend of 13.5 cents per share (2018: 12.3 cents per share) from income reserves for the year ended 28 February 2019. This brings the full-year increase in total dividend to 14%. The group's strong cash flow generation supports the current dividend increase, with this year's dividend payout ratio of 45% at the midpoint of the 40% to 50% dividend policy range that was announced at the time of listing.

TECHNOLOGY

We continue to invest in our business given our confidence in its long-term growth prospects.

To stay at the forefront of the industry, we continue to invest in technology as we seek to incorporate further business process automation, reduce operational risk and provide real-time reporting for enhanced management decision-making. Specifically, investment in technology resulted in a 29% increase in related costs, while personnel costs also increased markedly over the previous year mainly due to increased recruitment of technologically skilled employees.

We encourage advisers to expand their online profiles to social media platforms and several adviser offices are rising to the challenge. Management at group and divisional level offer training and support to ensure communication on these platforms is consistent with group quality standards.

We are confident that our IT strategy, which includes robust disaster recovery and business continuity plans, will create a solid foundation for future growth.

Read more about IT governance in the corporate governance report on page 99.

TRANSFORMATION

We take a strategic and focused approach to transformation.

We believe in building our own future talent and are confident that the investment in our internship, learnership, graduate and advisor development programmes will help address transformation in the industry. We also work closely with other industry players to tackle transformation in financial services.

During the current year we appointed 68 newly qualified graduates (88% of which are ACI candidates) as part of our continued strategy to build our own talent.

CLIENT-CENTRICITY

Client engagement is an investment in building relationships and a driver of client loyalty and growth.

To avoid emotional decision-making, we believe an effective wealth management process should provide guidance and comfort to investors and ensure they are well equipped and informed.

At the end of last year, we committed to continued client engagement during difficult times and we have been true to our word. We hosted 160 client events throughout South Africa, reaching over 14 000 clients. This will remain a focus going forward.

LOOKING FORWARD

By maintaining our stable, long term view, PSG Konsult is laying the foundations to ensure success over the next 21 years.

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

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

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

PSG Konsult celebrates 21 years in 2019. This milestone proves that our business philosophy and strategy resonate with our clients.



Francois Gouws
17 May 2019



Mike Smith
17 May 2019



Our success is rooted in the way we do business and the relationships that we have cultivated – sometimes over generations.



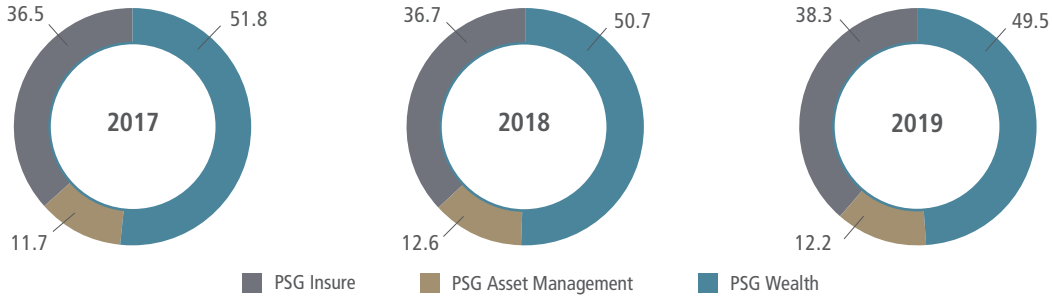
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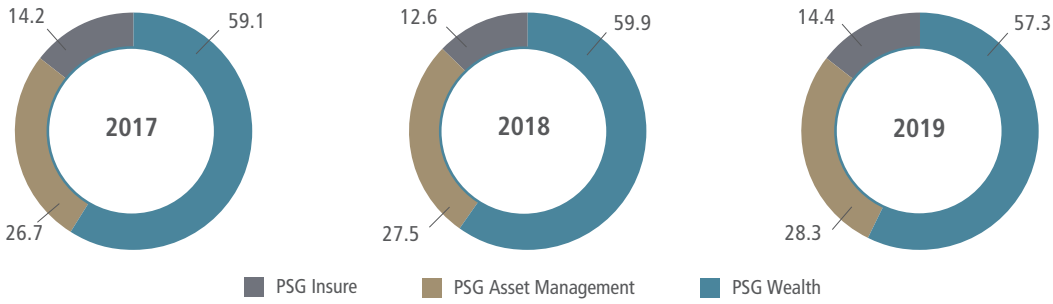
DIVISIONAL OVERVIEW

	PSG Wealth	PSG Asset Management	PSG Insure
Business units	Securities Multi-management Employee benefits Linked investment business/ LISP platform Wealth distribution (including fiduciary services)	Asset management Collective investments (local and offshore)	Western Group Holdings Short-term administration Insure distribution
Number of employees	1 594 (2018: 1 537)	101 (2018: 93)	1 191 (2018: 858)
Chief executive officer (CEO)	Marilize Lansdell	Anet Ahern	Rikus Visser
Main office	Bryanston, Johannesburg	Constantia, Cape Town	Tyger Valley, Bellville, Cape Town

Divisional contribution to group core income (% contribution)



Divisional contribution to group recurring headline earnings (% contribution)



PSG WEALTH



Marilize Lansdell
Chief executive officer

PSG Wealth

PSG Wealth exists to create and preserve wealth for clients and stakeholders.

Adverse market conditions resulted in negative investor sentiment and made it difficult to deliver absolute returns. However, with a contribution of 49.5% toward group core income, PSG Wealth remains a key revenue driver for the group.

During the year, we launched our managed equity product suite, increasing our competitive product offering and further diversifying the division's income streams. We also implemented operational efficiency initiatives, which generated improved customer experience feedback.

Rapid development in information technology is an area of risk and opportunity for PSG Wealth.

PSG Wealth launched an improved version of our state-of-the-art information and transactional platform. This resulted in reduced transaction processing turnaround times, fewer errors and lower operational costs. We hosted 104 client and adviser events and encouraged ongoing client interactions to improve awareness of, and increase engagement with the PSG Wealth platform.

In the current financial year, we acquired the business of 28E Capital, a leading boutique brokerage with a specialist online platform. The acquisition strengthened our offering as a preferred online stockbroker and has enabled us to execute our long-term strategy of growing our online trading platform.

The division continues to appoint skilled people to support and develop our systems.

The operational burden of implementing new legislation and regulations and the resulting cost of compliance is increasing.

PSG Wealth has a dedicated compliance department to monitor regulatory developments and implementation. Our *myPractice* and *iComply* systems ease the burden and we regularly issue technical advisory communications.

SALIENT FEATURES

Recurring headline earnings[1]

0%

R339 million

(2018: R339 million; 2017: R287 million)

Gross margin

42.3%

(2018: 41.0%; 2017: 40.4%)

Brokerage income

18%

(2018: ↑ 7%; 2017: ↓ 8%)

Employees

1 594

(2018: 1 537; 2017: 1 560)

Core income

7%

R2.3 billion

(2018: R2.1 billion; 2017: R2.0 billion)

Operating margin

21.1%

(2018: 21.3%; 2017: 19.8%)

Management fees

8%

(2018: ↑ 13%; 2017: ↑ 17%)

PSG Wealth adviser network

1% to 546

(2018: 539; 2017: 515)

Managed assets

7%

R174.8 billion

(2018: R162.7 billion; 2017: R142.2 billion)

Net inflow of managed assets

R10.0 billion

(2018: R11.8 billion; 2017: R13.4 billion)

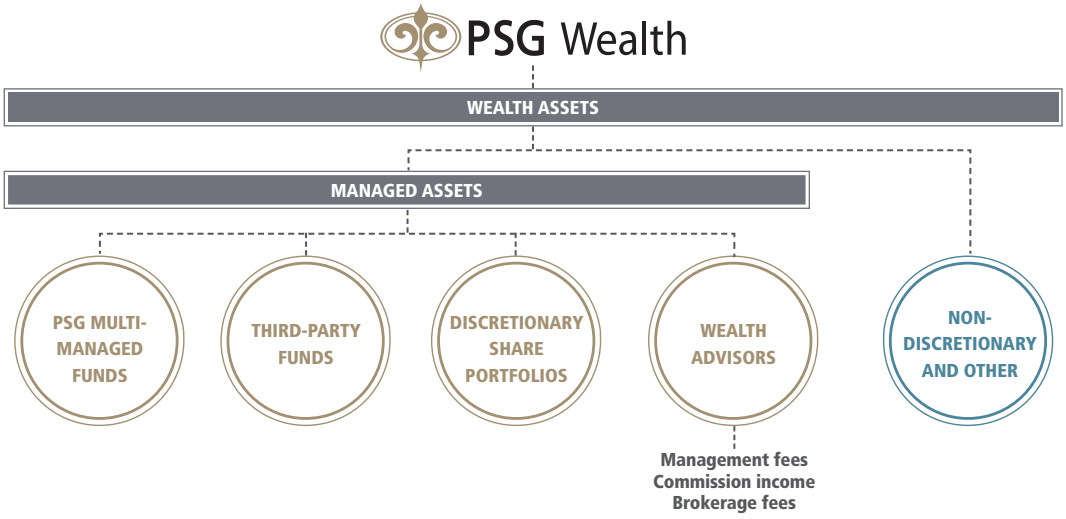
Total assets

4%

R374.2 billion

(2018: R359.4 billion; 2017: R338.0 billion;)

[1] *Recurring headline earnings exclude a profit that was recognised by PSG Wealth in the current year following the maturity of certain legacy financial instruments linked to investment contracts which, due to credit risk uncertainty, was not previously recognised.*

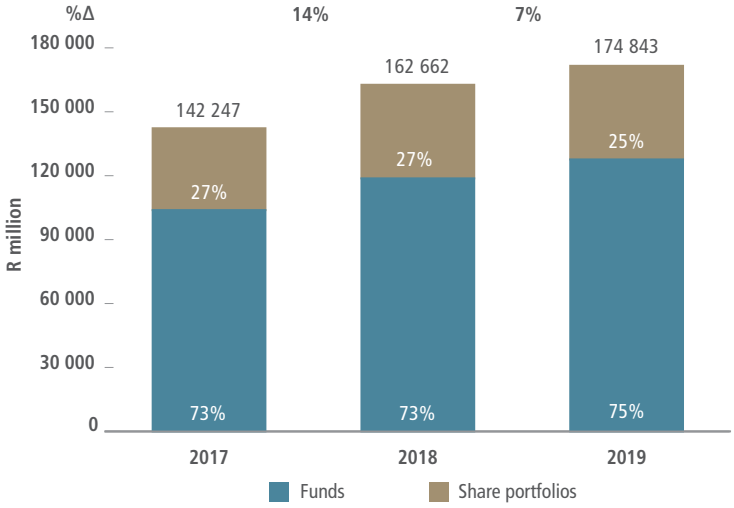


PSG WEALTH OVERVIEW

Assets split (Rm)	2017	Market movement	Net flows	2018	Market movement	Net flows	2019
Third-party funds[1]	50 847	3 021	3 944	57 812	**(1 049)**	**3 611**	**60 374**
PSG multi-managed[2]	52 351	2 494	5 712	60 557	**4 144**	**5 979**	**70 680**
Discretionary	39 049	3 129	2 115	44 293	**(865)**	**361**	**43 789**
Total managed assets	**142 247**	**8 644**	**11 771**	**162 662**	**2 230**	**9 951**	**174 843**
Non-discretionary	184 625	3 562	(1 687)	186 500	**10 217**	**(6 689)**	**190 028**
Third-party administration	11 091	2 201	(3 006)	10 286	**174**	**(1 135)**	**9 325**
Total assets	**337 963**	**14 407**	**7 078**	**359 448**	**12 621**	**2 127**	**374 196**

[1] *Includes PSG single-managed funds of R9.8 billion for 2019, R8.8 billion for 2018 and R6.5 billion for 2017.*
[2] *Includes PSG single-managed funds of R8.4 billion for 2019, R8.0 billion for 2018 and R7.1 billion for 2017.*

GROWING MANAGED ASSETS



STRATEGY

Lasting solutions require expert guidance from advisers who understand the big picture.

PSG Wealth's strategy supports the group strategy by offering an innovative and holistic end-to-end client proposition. Uncertain markets trigger emotional decisions, so lasting solutions require expert guidance from advisers who understand the big picture. We advocate diversification and our solutions offer a good balance between rand-hedge and interest-rate-sensitive investments with a long-term focus.

PSG Wealth management is responsible for executing and implementing strategic plans. As part of the annual budget process, divisional management motivates the capital and resources required to achieve sustainable growth. Business unit heads provide feedback on performance metrics at quarterly review meetings.

Performance against the PSG Konsult strategic focus areas

Plant the flag	PSG Wealth remains focused on growth, achieving a stable cost base and increasing net new inflows of managed assets at acceptable margins across the value chain. We favour organic growth by prioritising key projects and effectively allocating resources to execute and implement strategic plans. Client assets managed by PSG Wealth advisers increased by 7% to R175 billion, which included R10 billion of positive net inflows. PSG Wealth multi-managers managed assets worth R71 billion, a 17% increase for the year. The PSG Wealth adviser base grew by 1% (2018: 5%) to 546 advisers (2018: 539 advisers). PSG Wealth continues to gain market share with platform assets increasing by 7% to R45.8 billion.
Direct clients	PSG Wealth implemented a new direct securities client service model during the current year. This service model aims to increase interaction with these clients to share market insights and stimulate trade. We continue to move additional transactions to the digital environment and are still pursuing an omni-channel delivery model to provide clients with a seamless end-to-end solution. This year saw a continued focus on digital marketing and initiatives to determine client needs in this regard.
Client-centricity	All PSG Wealth projects are process mapped to understand client impact and ensure that there is tangible client benefit on project delivery. Our focus for the year was an improved single sign-on process as well as straight-through processing. These improvements will enhance client experience and deliver quicker transactional processing ability. PSG Wealth measures performance in this area by: • net new inflows; • new clients; • growth in assets under management and administration; and • growth in the net new monthly average fee margin.
Platforms	Our dedicated IT development and process-engineering team continually enhances the PSG Wealth platform based on feedback from clients and advisers. Growth is achieved by focusing on: • the quality of the service we provide; and • online functionality and ease of use. We measure our performance in this area through: • management fees; • administration fees; • brokerage income; and • growth in LISP market share.
Product enhancement	PSG Wealth implements a strategy of continuous improvement to bring clients an optimal service and investment experience. Our core products include the recently introduced managed equity suite and default annuity strategy. Our in-house investment research capability is a key strength and includes both fund and security investment research. The investment research team understands investor behaviour and the potential impact of that behaviour on wealth creation. Advisers continue to play a key role in client feedback on how to enhance the PSG Wealth platform and product capabilities.

Performance against the PSG Konsult strategic focus areas

Product enhancement	A focus for the year ahead will be to develop a funds solution for our direct client base as well as enhancing our offshore offering. We measure our performance in this area through: • client net new inflows; • uptake of products within existing offices and adviser base; and • additional products sold to existing clients.

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

Financial business objectives	Recurring revenues	Margin enhancing	Risk versus return
Strategic intent	Generate recurring income, which leads to enhanced sustainable earnings.	Optimise profit margin to ensure that an acceptable return on capital is earned.	Maximise every rand earned relative to an acceptable unit of risk.
PSG Wealth execution and implementation	• We focus on recurring annuity income and reduce our reliance on transactional income. • Management and other recurring fee income increased by 9%, while cyclical transactional brokerage income decreased by 18% compared to 2018.	• PSG Wealth's operating margin for the year is 21.1% compared to 21.3% for 2018. • We focused on straight-through processing to minimise marginal costs. • We regularly negotiate our business partner agreements to manage our cost base.	• PSG Wealth applies multidimensional metrics to assess quality, risk and productivity.

NEXT MOVES

The muted economy, continued pressure on client cash flows and political uncertainty in South Africa could result in investors moving their assets offshore.

PSG Wealth will continue to serve clients in an integrated manner. We will focus on client service excellence through the quality of products, platforms and advice provided. Our focus for the next three years will be to:

- provide clients with an integrated end-to-end platform across multiple investment instruments through an outsourcing model;
- further embed strong risk-based product design, pricing and operational processes;
- manage costs to deliver appropriate profit margins;
- achieve client growth in our direct client capability and increase inflows from the PSG adviser network; and
- respond to evolving client needs as well as opportunities created by changes in the regulatory and economic environment to deliver appropriate products and services.

Marilize Lansdell
17 May 2019

PSG ASSET MANAGEMENT



Anet Ahern
Chief executive officer

PSG Asset Management

A proven process, applied consistently, helps to keep the odds in our clients' favour.

In a turbulent, low-return market environment, PSG Asset Management has grown assets and market share. To mitigate the risk of a volatile market, we contain costs and broaden our product range. The division's net inflows were positive against a backdrop of poor flows to equity-oriented funds in general. The flows in 2019 were more widely spread and came from a variety of sources, including many new investors.

We expect the market to continue to be volatile until well after the elections. The active, long term and sometimes contrarian nature of our proven investment process sometimes leads to shorter term under performance as positioning may be in place ahead of time. Communicating this to clients has and will continue to be a focus area.

Attendance of our regular client events reached record levels and feedback includes appreciation for a balanced yet positive approach to current market conditions.

We continue to focus on attracting and retaining top-quality talent to our team and effective succession planning.

SALIENT FEATURES

Recurring headline earnings

7%

R167 million

(2018: R156 million; 2017: R130 million)

Assets under administration

14%

R118.0 billion

(2018: R103.2 billion; 2017: R85.5 billion)

Employees

101

(2018: 93; 2017: 95)

Core income

7%

R562 million

(2018: R527 million; 2017: R446 million)

Operating margin

24.5%

(2018: 25.3%; 2017: 22.9%)

Net inflow of managed assets

R5.9 billion

(2018: R7.9 billion; 2017: R2.7 billion)

Assets under management

11%

R47.3 billion

(2018: R42.7 billion; 2017: R33.1 billion)

Gross margin

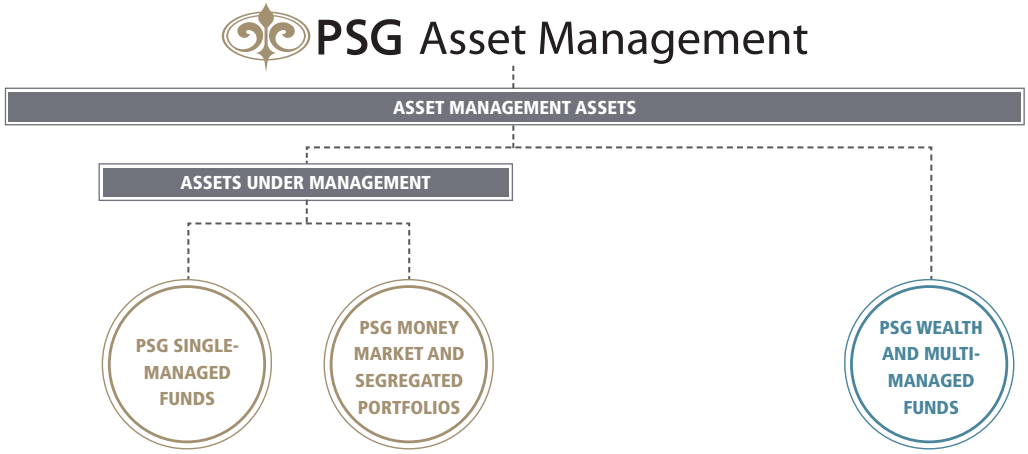
48.9%

(2018: 48.9%; 2017: 46.4%)

Performance fees contribution to group recurring headline earnings

2.9%

(2018: 8.6%; 2017: 8.8%)

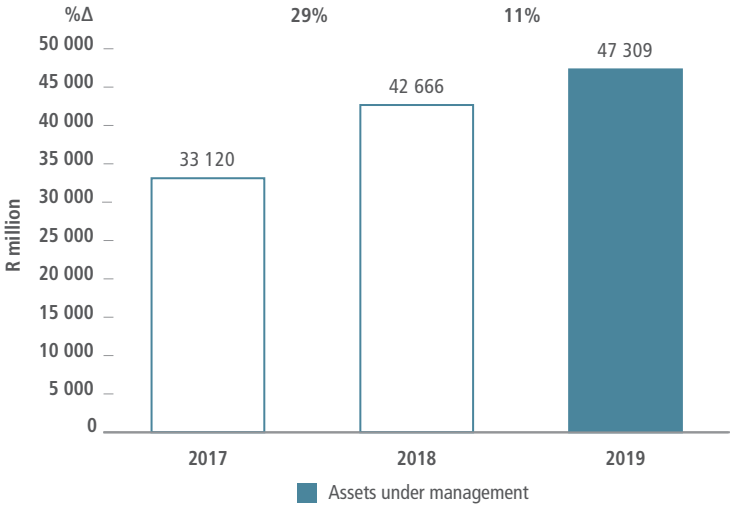


PSG ASSET MANAGEMENT OVERVIEW

Assets split (Rm)	2017	Market movement	Net flows	2018	Market movement	Net flows	2019
PSG single-managed	26 909	1 708	8 415	37 032	**(1 219)**	**6 503**	**42 316**
PSG money market	4 237	–	(608)	3 629	**–**	**(197)**	**3 432**
PSG segregated portfolios	1 974	(45)	76	2 005	**(85)**	**(359)**	**1 561**
Total assets under management	**33 120**	**1 663**	**7 883**	**42 666**	**(1 304)**	**5 947**	**47 309**
PSG multi-managed[1]	52 351	2 494	5 712	60 557	**4 144**	**5 979**	**70 680**
Total Asset Management assets	**85 471**	**4 157**	**13 595**	**103 223**	**2 840**	**11 926**	**117 989**

[1] *Includes the PSG Wealth Solutions and PSG Multi-Managed Funds. Excluded from total PSG assets under administration to eliminate duplication.*

GROWING ASSETS UNDER MANAGEMENT



STRATEGY

The PSG Asset Management divisional executive committee is responsible for executing and implementing strategic plans.

We aim to be the best stewards of our clients' investments, with a long-term approach to decisions, and to build a sustainable, robust business for clients, stakeholders and employees.

As part of the annual budgeting process, divisional management identifies the capital and resources we require to achieve sustainable business growth objectives and submits 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.

As stewards of our clients' capital, PSG acknowledges its duty towards responsible investing.

PSG is committed to the Code for Responsible Investing in South Africa and both our investment philosophy and process are driven by the principles of responsible investment. Since this ultimately dictates shareholder returns, 'Management' is one of the components we evaluate as part of our 3 Ms investment process (along with 'Moat' and 'Margin of Safety'). PSG Asset Management considers investing in companies with sustainable business models and management teams that will act as secondary custodians of our clients' capital. The board is supported by the investment committee in ensuring that investment decisions made are continuously in line with adopted principles of responsible investment in the interests of our clients.

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

Financial business objectives	Recurring revenues	Margin enhancing	Risk versus return
Strategic intent	Focus on generating recurring income, which leads to enhanced sustainable earnings	Optimise the profit margin to ensure that an acceptable return on capital is earned	Maximise every rand earned relative to an acceptable unit of risk
PSG Asset Management execution and implementation	Most of our funds have flat fees, and as they grow, the quality and sustainability of income improves. This reduces our reliance on performance fees.	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.	Risk management and the consequent construction of portfolios aim to deliver on investment mandates across a range of scenarios, are an integral part of PSG Asset Management's investment process. We also actively manage client and product diversification to reduce over-reliance on any single client or asset class.

Performance against the PSG Konsult strategic focus areas

Plant the flag	We have continued to improve net inflows through direct client engagement, attracting inflows of R6 billion. Our marketing efforts focused on regular, direct communication with advisers and clients. This proved effective in difficult market conditions.
Direct clients	PSG Asset Management provides products that generate alpha performance over the appropriate investment horizon and continues to build the brand via media platforms and events. The division also integrates digital initiatives in line with PSG group initiatives to eliminate duplication and increase efficiency.
Client-centricity	We have a dedicated communications specialist, and a detailed communications and events plan. 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. **PSG Asset Management applies philosophies to ensure client-centricity that include:** • a high-quality client-facing team; • regular client interaction; • consistent communication; • application of proven investment principles; and • effective use of the extensive data we have available. **We measure our performance in this area through:** • net inflows into funds; and • fund platform availability.

Performance against the PSG Konsult strategic focus areas

Platforms	We have a team of business analysts who continually review our business processes in line with the group's strategy. **We measure our performance in this area through:** • market share; and • operating margins.
Product enhancement	**We have a comprehensive product range to develop robust portfolios for clients.** The funds' investment performance is prioritised, sustaining it at high levels within acceptable risk parameters. **We measure our performance in this area through:** • growth in assets under management; and • funds' long-term risk adjusted investment performance over the appropriate investment horizons.

NEXT MOVES

We expect the investment environment to remain challenging, with many investors tempted to capitulate and withdraw from growth assets and the South African market.

Although this challenges growth initiatives, our investment approach, engagement with clients and long-term track record have positioned PSG Asset Management to increase our market share, even if the overall market does not grow.

Specific initiatives for the coming financial year include:

- Ongoing client engagement by optimising the use of data.
- Optimising our talent management initiatives.
- Refining processes and systems.

Anet Ahern
17 May 2019

PSG INSURE



Rikus Visser
Chief executive officer

PSG Insure

PSG Insure offers a range of short-term insurance-related services, ranging from insurance advice to the underwriting and administration of short-term insurance products in personal and commercial lines.

Recurring headline earnings increased by a commendable 19%.

We are satisfied with the division's performance and believe that the new acquisitions and costs incurred in the current year to fund growth initiatives will ensure continued profitable future growth. This division continues to gain market share in the highly competitive short-term insurance market and is starting to achieve economies of scale benefits.

PSG Insure completed two large acquisitions during the year:

- The AIFA commercial and industrial brokerage business. This transaction was effective 1 June 2018 and consisted of 82 advisers and over 28 000 clients (circa 32 000 policyholders).
- The remaining short-term face-to-face advisory insurance brokerage business from AIFA, mainly personal lines business. The transaction was effective 1 December 2018 and consisted of 62 advisers and over 29 000 clients (circa 37 000 policyholders).

PSG Insure fully expensed upfront costs incurred in setting up the required office infrastructure to facilitate the acquisition of the AIFA businesses. The AIFA advisers were seamlessly integrated into the PSG Konsult distribution network of PSG Insure advisers, enhancing PSG Insure's footprint across South Africa and are already contributing to the group's profitability.

We established Western Botswana short-term and long-term insurers.

Obtaining the licences in a foreign jurisdiction took longer than planned, which resulted in the business expensing initial costs incurred in setting up a new business operation in Botswana. The business is performing in line with expectations and is expected to break even during the new financial year.

We partnered with BMW Financial Services in South Africa to offer its customers quality advice and competitive insurance solutions through our platform.

This partnership will expand PSG Insure's value offering to clients and is expected to positively contribute to group profitability in the next financial year.

These acquisitions and new ventures are strategically important as they significantly enhance our footprint across Southern Africa.

PSG Insure recognised an impairment on premium debt exposure to a third-party premium-collection agency, which was placed under voluntary curatorship in the current year due to liquidity concerns, resulting in a non-recurring impairment loss.

Western's comprehensive reinsurance programme reduced the adverse impact of certain catastrophe events, that occurred during the second half of the year. This, when combined with our quality underwriting practices, allowed Western to achieve an improved net underwriting margin of 8.9% compared to the 8.3% achieved in the prior year.

The current year results were also impacted by lower investment income due to poor market conditions.

SALIENT FEATURES

Recurring headline earnings[1]

19%

R85 million

(2018: R71 million; 2017: R69 million)

Operating margin

6.2%

(2018: 5.1%; 2017: 5.5%)

PSG Insure adviser network

58% to 386

(2018: 245; 2017: 229)

Gross written premium[2]

36%

R4.5 billion

(2018: R3.3 billion; 2017: R2.9 billion)

Western underwriting margin

8.9%

(2018: 8.3%; 2017: 9.7%)

Core income

14%

R1.8 billion

(2018: R1.5 billion; 2017: R1.4 billion)

Employees

1 191

(2018: 858; 2017: 780)

[1] *Recurring headline earnings for FY2019 exclude an impairment loss recognised by Western on a premium debt exposure to a third-party premium-collection agency.*

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

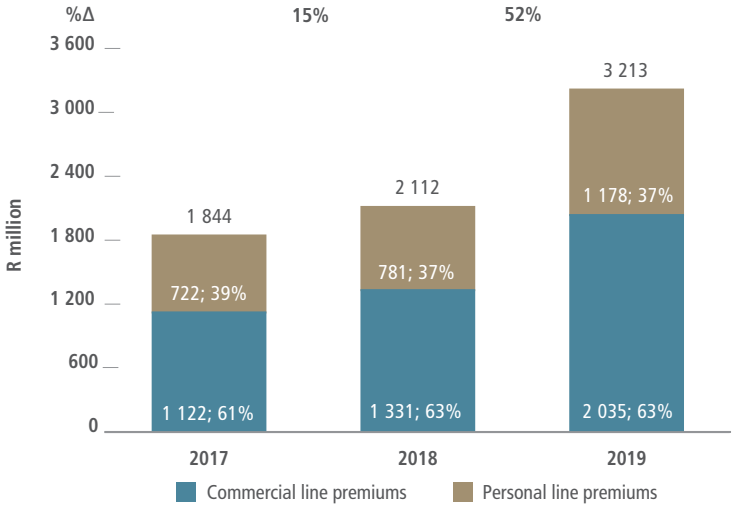


PSG INSURE OVERVIEW

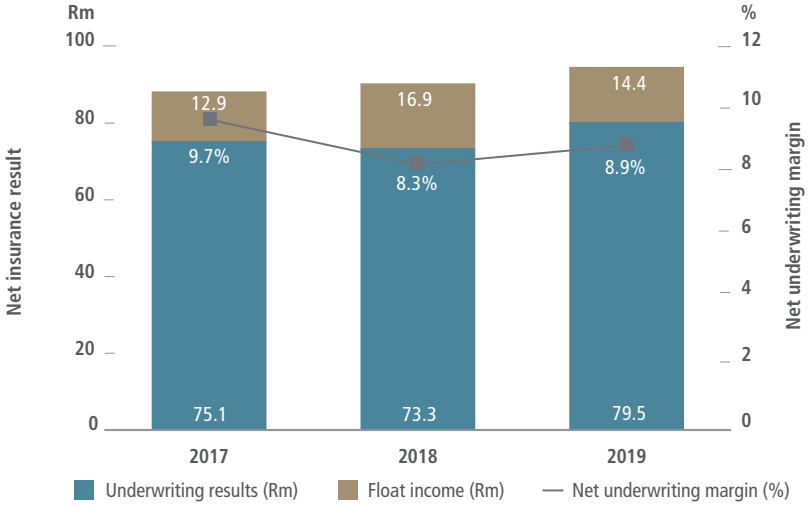
Gross written premium split (Rm)	2019	2018	2017
Short-term distribution	**3 213**	2 112	1 844
Western	**1 256**	1 184	1 010
Gross written premium (excluding short-term administration platform)[1]	**4 469**	**3 296**	**2 854**
Short-term administration platform	**1 049**	899	844
Total gross written premium	**5 518**	**4 195**	**3 698**

[1] *The gross written premium for the 2019 financial year, including the short-term administration client care centre premiums, amounts to R4 498 million.*

INSURE ADVISERS – CLIENT PREMIUMS



WESTERN NET INSURANCE RESULTS



STRATEGY

Divisional management is responsible for executing and implementing strategic plans.

As part of the annual budget process, divisional management submits to the board a motivation for the capital and resources required to achieve sustainable growth, which is then approved by the board. Functional and business unit heads provide feedback on performance metrics at quarterly review meetings.

Performance against the PSG Konsult strategic focus areas

Plant the flag	The advisers added to the PSG Insure adviser network through recent acquisitions are in the process of being converted onto the entrepreneurial, best-of-breed standard remuneration model.
Direct clients	PSG Insure's focus is intermediated insurance offerings, but we do provide direct offerings through our client care centre, where we service clients that do not want a face-to-face intermediary relationship.
Client-centricity	**PSG Insure is always looking for opportunities to expand its client offering.** We added several new binders to our platform, thus expanding the number of products available to advisers and clients. Client-focused developments in the financial year included an enhanced short-term administration platform and claims training for employees. We also launched a product that enables clients to consent to service-level agreements via any mobile device. We provide monthly client education videos that can be accessed using any electronic device. **We measure our performance in this area by:** • profitable growth and underwriting performance of client books; and • the number of clients and retention ratio.
Platforms	**We continuously improve our short-term administration platform.** This is done through process redesign and automating manual processes. We use robotics and similar technologies to optimise claims administration, product underwriting and client services and so improve client satisfaction. **We measure our performance in this area by:** • operating margins; • retention, renewal and upselling; and • improvement of efficiencies.
Product enhancement	**PSG Insure focuses on providing value-added products that meet and exceed clients' expectations.** We develop critical expertise across underwriting, administration and adviser teams. To improve our product capability, we choose product providers that support our strategy. In this way we improve the profitability of intermediaries and lower the cost of claims. Western expanded its intermediary consultant capacity to selected areas in South Africa.

Performance against the PSG Konsult strategic focus areas

Product enhancement	**We measure our performance in this area by:** • premium growth; • commercial business contribution; • market share; • underwriting profitability; and • product loss ratio.

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

Financial business objectives	Recurring revenues	Margin enhancing	Risk versus return
Strategic intent	Focus on generating recurring income, which leads to enhanced sustainable earnings	Optimise profit margin to ensure that an acceptable return on capital is earned	Maximise every rand earned relative to an acceptable unit of risk
PSG Insure execution and implementation	We achieved growth of 36% in gross written premium, with a focus on organic growth and value-adding acquisitions.	Western has underwriting practices in place that allowed us to achieve a commendable net underwriting margin of 8.9%, within the division's long-term strategic target of between 7% and 9%. We continue to focus on cost reduction throughout the business to increase margins. PSG Insure aims for profitable growth and will not hesitate to cancel unprofitable books of business.	PSG Insure employs skilled underwriting staff. We apply sophisticated techniques to improve the underwriting margin in Western and in our platform business. Western's comprehensive reinsurance programme reduced the adverse impact of large claims. Risk management is an integral part of our business strategy.

NEXT MOVES

PSG Insure seeks the appropriate balance between growth and profitability at acceptable levels of risk.

We aim to gain market share without compromising underwriting margins, while optimising return on insurance float and shareholder investments. Further focus will be on achieving gross written premium growth despite the challenging economic environment in South Africa.

We will continue to enhance the digitisation of our platforms.

The group aims to optimise the digital journey from onboarding to client user experience. This includes exploring options to generate leads and create cross-selling between the divisions.

PSG Insure is a significant intermediated player in the South African market and a trusted brand.

We will leverage off these strengths to attract quality clients and acquisition opportunities.

Rikus Visser
17 May 2019





CORPORATE GOVERNANCE REPORT

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OVERVIEW

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

The board recognises the imperative of conducting business with prudence, accountability, fairness, transparency and social responsibility to ensure the safeguarding of stakeholder interests.

The skills and experience of the group's diverse board and management teams ensure leadership depth and focus, and that the business continues 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. Governance processes are reviewed regularly to reflect best practice, and to enhance alignment with regulatory and legislative changes.

FOCUS AREAS FOR THE PAST FINANCIAL YEAR

- Embedding of King IV™ through annual working plans tailored for the board and each committee to ensure that the objectives of their adopted mandates and statutory obligations are met.
- Implementation of Prudential Standards throughout the group including updating of policies, board charters and committee terms of reference.
- Adopting an updated code of ethical conduct in line with King IV™ recommendations, the details of which can be found on page 85.
- Adoption of a group tax policy.
- Evaluation of the group's fourth ORSA report before the Prudential Authority submission during October 2018.
- Review of the group's remuneration policy and framework against the Prudential Standards.
- Continued meeting of the JSE's requirements for shareholder engagement and voting on the remuneration policy of the group. The remuneration policy and implementation report achieved a favourable non-binding advisory vote of 97.06% and 97.26% respectively at the 2018 annual general meeting (AGM).
- Annual review of the IT governance framework, given the importance of IT and cyber security in the operational environment of the group.
- Establishment of a nominations committee to enhance the focus on race and gender diversity, and succession planning.
- Annual review of the gender diversity policy and adoption of the race diversity policy, in accordance with the JSE Listings Requirements.
- Completion of committees' self-evaluation of performance in line with King IV™ recommendations and reflecting on the board's evaluation.
- Training for board members on the Insurance Act and cyber risk developments through external subject matter experts.
- 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.

KEY GOVERNANCE DEVELOPMENTS

The group has embedded King IV™ recommended practices and the board continues to support integrated, outcomes-based thinking. The group is satisfied with the overall outcome of its consideration and application of the 17 principles. The group, with the full support of the board, continues to strengthen its corporate governance structures in line with adopted annual work plans throughout the group.

The group's King IV™ Application Register is available on its website at www.psg.co.za.

CREATING AN ETHICAL CULTURE

The board is responsible for setting the tone of the group values, including principles of ethical business practice and the requirements of being a responsible corporate citizen, by adopting codes of conduct that articulate and give effect to the direction 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 26.

Code of ethical conduct

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

Ethical culture | **Good performance** | **Effective control** | **Legitimacy**

In line with King IV™, the social and ethics committee adopted a code of ethical conduct (the code). This code serves to outline our ethical commitment to stakeholders and to, among other things:

- guide our conduct and relationships with key stakeholders (including our clients); and
- ensure that the business is lead not only effectively, but ethically as well.

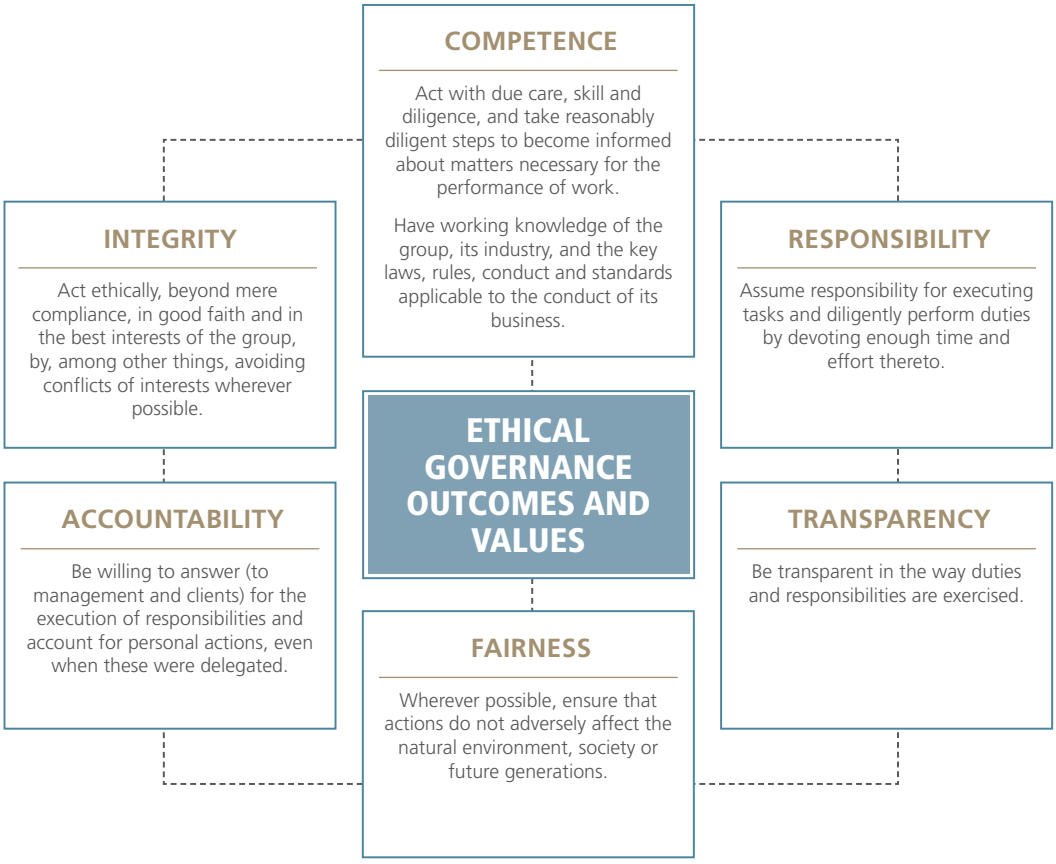
Scope of the code

All members of the group 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 (employees include staff of juristic representatives, associates or affiliates) of the group.
- 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.
- In addition, and to the furthest extent possible, the code is also binding on all independent contractors, agents, service providers and business partners of the group.

Ethical governance outcomes and values

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



Fraud and corruption
The group has a zero-tolerance approach towards 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 human resources 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 31 of the annual financial statements.

Dealing in shares
The group has a policy on dealings in PSG Konsult shares, which 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, company secretary and other key employees (including their associates) 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 (67)

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 and Eastern Cape. In 1998, he founded PSG Konsult Limited and acted as its CEO until 30 June 2013. He was then appointed as its non-executive chairman. He also served on the board of PSG Group Limited for a number of years.

JACOB DE VOS DU TOIT (JAAP) (64)

Lead independent non-executive director

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

Date of appointment: 17 August 1998

Committees: Member of the audit, risk and nominations committees

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 and chairman of PSG Konsult Limited (1998–2013). He is a board member of PSG Konsult and the chairman of KAP Industrial Holdings and 12Cape Limited.

PATRICK ERNEST BURTON (66)

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) (67)

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, social and ethics, and nominations committees

Profile: KK holds a diploma in public relations. He was awarded 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 of Southern Africa and serves on the boards of various listed and unlisted companies, including Curro Holdings Limited and he is chairman of PSG Group Limited and Pioneer Food Group Limited.

KK was previously the executive chairman of Thembeka Capital (RF) Limited.

ZODWA RESHOKETSOE PEARL MATSAU (63)

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 at 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 & Capital Markets: Central Bank of Lesotho. Her career experience thereafter included 18 years at the South African Reserve Bank in various key roles, including serving as company secretary and finally serving as Senior Deputy General Markets: Financial Markets.

RIAAN STASSEN (65)

Independent non-executive director

Qualifications: BCom (Hons), CA(SA)

Date of appointment: 14 April 2016

Date of retirement: 31 May 2019

Profile: Riaan joined Capitec Bank Limited in 2000 as managing director and served as CEO of Capitec Bank Holdings Limited and Capitec Bank Limited from March 2004 until his retirement on 31 December 2013. His experience in banking stems from his previous position as managing director of Boland PKS. Prior to his career in banking, he gained experience in the liquor industry through his responsibilities as operations director of Distillers Corporation. Riaan was awarded the Cape Times KPMG Business Personality of the Year award in 2007.

PETRUS JOHANNES MOUTON (PIET) (42)

Non-executive director

Qualifications: BCom (Mathematics)

Date of appointment: 6 December 2012

Committees: Member of the remuneration and nominations committees

Profile: Piet is the chief executive officer of PSG Group Limited. He serves as a director on the boards of various PSG Group and other companies, including Curro Holdings Limited and Capitec Bank Holdings Limited. He has been active in the investment and financial services industry since 1999.

FRANCOIS JOHANNES GOUWS (54)

Chief executive officer

Qualifications: BAcc, CA(SA)

Date of appointment: 1 March 2013

Committees: Member of the social and ethics committee

Profile: Francois was a group managing director jointly responsible for the UBS Securities division before joining PSG Konsult as deputy CEO in July 2012. He assumed the role of CEO with effect from 1 July 2013. He started at UBS Investment Bank in 1995, as head of research in South Africa. Before that, he worked for Senekal, Mouton & Kitshoff Proprietary Limited.

MICHAEL IAN FRAIN SMITH (MIKE) (51)

Chief financial officer

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

Date of appointment: 18 July 2013

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 chief operating officer (COO) of PSG Asset Management, and thereafter served as COO for the PSG Wealth division. Prior to 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.

CHANGES TO THE BOARD OF DIRECTORS

Riaan Stassen will retire from the board of directors with effect from 31 May 2019. The board would like to thank Riaan for his strategic insight and positive contribution to the company and wishes him well in his retirement.

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 now 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 that the board consists of an appropriate number and combination of individuals to ensure that there is an adequate level of knowledge, skills and expertise commensurate with the scale and complexity of the business. 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.

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 consists of nine members, seven of whom are non-executive directors and five of those are independent non-executive directors.

Board meetings take place quarterly to consider the strategic issues and business philosophy, to approve financial results and budgets, to monitor the delegated responsibilities and to set risk parameters. At these meetings, the various committees and divisions provide feedback on key performance indicators, progress on strategic objectives and various other reports.

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 they 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 most of the directors are independent non-executive directors. The individual statuses of the directors are recorded in their respective profiles on pages 87 and 88.

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

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 business, independent of management.

APPOINTMENT PROCESS

Directors are nominated for appointment by the nominations committee through a formal and transparent process which includes background checks. 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, annual review and successful implementation of a gender diversity policy and race diversity policy articulate 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 diverse environments in which it operates.

BOARD EVALUATION

The board participates in a performance evaluation, including evaluating the effectiveness of its committees in line with King IV™ recommended practices every second year. The board reviews the range of skills, experience and effectiveness of its directors. The evaluation of the performance of the board of directors is carried out as an integral part of the company's commitment to adopt best corporate governance practices and improving its performance and effectiveness.

Following the completion of its self-evaluation and reporting on the outcome thereof during 2018, the following has been achieved through the agreed action plan:

- The successful implementation of:
  - the adopted race diversity policy; and
  - the adopted gender diversity policy.
- The establishment of a nominations committee to focus on succession planning and diversity.
- Monitoring of annual work plans and agendas throughout the group to ensure the embedding of the adopted board charter and terms of reference for committees in line with King IV™ recommendations.

In line with King IV™ recommended practices and its charter, the board, during the current year, reflected on its performance and that of its members and chairman as an integral part of the group's commitment to adopt best corporate governance practises.

GOVERNANCE FRAMEWORK AND APPROACH

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

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 the 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.

BOARD AND COMMITTEE MEETING ATTENDANCE SUMMARY

	Board[1]		Audit committee[2]		Risk committee		Social and ethics committee		Remuneration committee[4]		Nominations committee[5]	
	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended	Possible	Attended
W Theron	5	**5**	–	**–**	–	**–**	–	**–**	–	**–**	1	**1**
FJ Gouws	5	**5**	–	**–**	–	**–**	2	**2**	–	**–**	–	**–**
MIF Smith	5	**5**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**
R Stassen	5	**4**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**
PJ Mouton	5	**4**	–	**–**	–	**–**	–	**–**	1	**1**	1	**1**
J de V du Toit	5	**5**	3	**3**	2	**2**	–	**–**	–	**–**	1	**1**
PE Burton	5	**5**	3	**3**	2	**2**	2	**2**	1	**1**	1	**1**
ZL Combi	5	**5**	3	**2**	2	**2**	2	**2**	1	**1**	1	**1**
ZRP Matsau[3]	5	**5**	3	**3**	2	**2**	1	**1**	–	**–**	–	**–**

[1] *An ad hoc meeting of the board of directors was held on 9 May 2018.*

[2] *An ad hoc meeting of the audit committee was held on 23 May 2018.*

[3] *ZRP Matsau was appointed as member and chairperson of the social and ethics committee with effect from 10 October 2018.*

[4] *The annual remuneration committee meeting was held on 14 March 2019.*

[5] *The board appointed a nominations committee as a subcommittee of the board. W Theron was appointed as chairman. The inaugural meeting was held on 13 February 2019.*

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 that the interests of all stakeholders are protected;
- ensuring that a good relationship exists between the board and shareholders, and between the board and management (specifically the CEO);
- ensuring that the brand and group profile are aligned with the values of the group; and
- enhancing PSG Konsult's reputation in the industry through relevant stakeholder forums.

The roles of chairman and CEO are separate. The executive committee 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 as 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 which 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 that the best people are hired; and
- addressing challenges.

The board is satisfied that the CEO does not have any other professional commitments that can 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

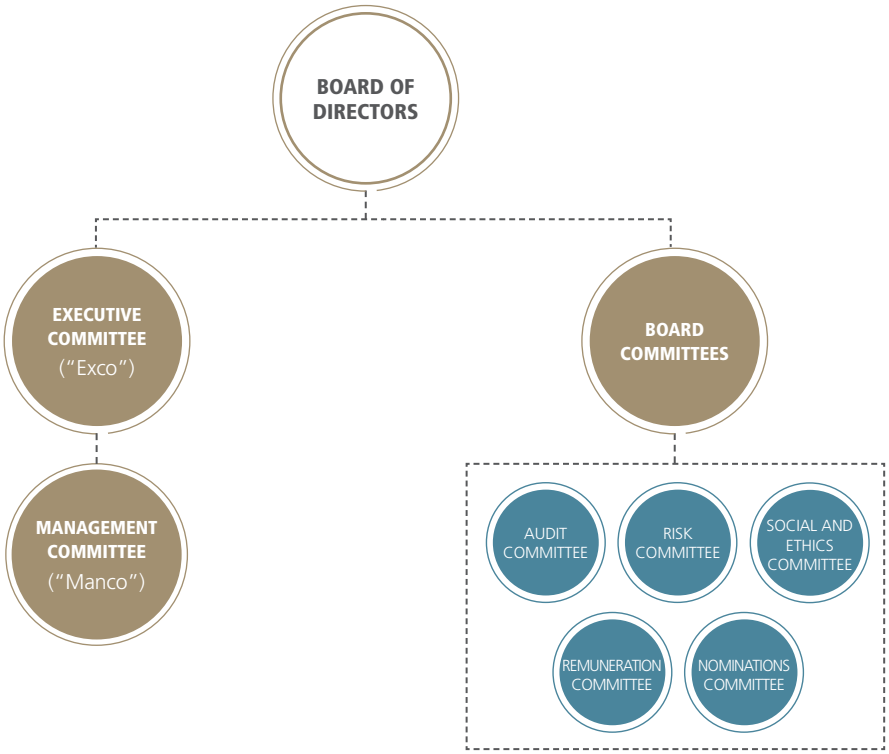
PSG Management Services Proprietary Limited is the company secretary of PSG Konsult and acts as conduit between the board and the group. The company secretary is responsible for board administration and liaising with the Companies and Intellectual Property Commission.

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. The board has reviewed, through discussion and assessment, 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 in that the objectivity and independence of the company secretary is not unduly influenced.

The certificate that the company secretary, being represented by Shameemah Hamit, is required to issue in terms of section 88(2)(e) of the Companies Act, is on page 121 of this integrated report.

GOVERNANCE STRUCTURE



- Legislation committee
- Customer service review committee
- Operating committee
- Credit committee
- Investment committee
- Divisional board meetings
- Divisional quarterly review meetings
- Divisional compliance, risk and legal committees

- Executive committee
- Internal and external audit function
- Risk, compliance and finance functions

Notes to the governance structure

- The Manco meets weekly to discuss various group and division-related topics
- The Exco acts as an oversight committee for the various management committees and divisions
- Each division has a board of directors that meets quarterly/bi-annually and comprises executive and non-executive directors of PSG Konsult

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 is supported in its duties by five committees, each with formal terms of reference.

The board, while retaining ultimate responsibility for overall group performance, has delegated the day-to-day running of the business to the Manco. The members of the Manco are the group CEO, group CFO, group COO, group head of risk and the divisional CEOs. Weekly meetings are held to assess operational performance and strategy. A group and subsidiary delegated levels of authority policy has been adopted and is reviewed regularly to ensure that management exercises its authority in line with clearly defined limits and roles. Matters reserved for board approval are clearly defined in its charter.

AUDIT COMMITTEE

- Meets: Bi-annually
- Chairman: Independent non-executive director
- Composition: Four independent non-executive directors
- Qualifications and experience of members: Refer to the board profiles on pages 87 and 88
- Internal and external auditors by invitation
- Senior management by invitation

As part of its 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.

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

The statement of independence relating to the external audit partner is set out on page 119 of the annual financial statements.

The committee participated in a self-evaluation and along with the board's evaluation of its effectiveness and its adopted annual work.

The following focus areas for the future were identified:

- recommending to the board suggestions on the effectiveness of the group's assurance functions and services;
- continuing to increase its focus on combined assurance;
- reviewing the group's tax policy and monitoring its implementation;
- considering the effectiveness of the design and implementation of internal financial controls; and
- providing an opinion on the effectiveness of the group head of internal audit and internal audit arrangements.

RISK COMMITTEE

- Meets: Bi-annually
- Chairman: Independent non-executive director
- Composition: Four independent non-executive directors
- Qualifications and experience of members: Refer to the board profiles on pages 87 and 88
- Senior management by permanent invitation, including the group CEO, group CFO, group COO and the group heads of internal audit, risk and legal and compliance.

As part of its 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 that risks are properly managed while the process for monitoring compliance with laws, regulations and its own code of business conduct are implemented, performed and effective;
- ensuring opportunities and associated risks are considered when developing strategy;
- assessing that the governance, compliance and risk management systems implemented 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; and
- implementing any actions following the board's evaluation of its effectiveness.

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

The committee participated in a self-evaluation and along with the board's evaluation of its effectiveness and its adopted annual work.

The following focus areas for the future were identified:

- oversight and evaluation of the group's technology and information policy, environment and governance to ensure that these are appropriate, aligned and support the strategy and risk appetite of the group;
- continued strong emphasis on cyber security and training members on the latest developments; and
- continued diligent and adequate response and adoption of regulatory change and training members on the Insurance Act.

SOCIAL AND ETHICS COMMITTEE

- Meets: Bi-annually
- Chairperson: Independent non-executive director
- Composition: Three independent non-executive directors, two executives
- Qualifications and experience of members: Refer to the board profiles on pages 87 and 88
- Senior management by invitation

As part of its 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 85, to the board for approval;
- annually reviewing its terms of reference and recommending amendments to the board for approval;
- evaluating the customer service review committee and approving its terms of reference;
- conducting a self-evaluation every two years, which includes evaluating the chairperson and fellow members; and
- implementing any actions following the board's evaluation of its effectiveness.

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

The committee participated in a self-evaluation and along with the board's evaluation of its effectiveness and its adopted annual work, the following focus areas for the future were identified:

- providing newly appointed members to the committee with adequate orientation to their functions and additional training with assistance from the nominations committee;
- continuously monitoring training needs, including changes to regulations, risk, legislation and corporate governance anticipated to affect the business; and
- monitoring the implementation of the code of ethical conduct.

REMUNERATION COMMITTEE

- Meets: Annually
- Chairman: Independent non-executive director
- Composition: Three non-executive directors, two being independent non-executive directors
- Qualifications and experience of members: Refer to the board profiles on pages 87 and 88
- Group CEO by invitation

As part of its key focus areas, the remuneration committee is responsible for:

- developing and implementing fair remuneration practices that are aligned with the group's strategy and long-term interests;
- ensuring that the group's remuneration policy is applied consistently;
- serving as the remuneration committee for the PSG Konsult group and for its insurance licensed entities;
- ensuring that 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; and
- implementing any actions following the board's evaluation of its effectiveness.

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

The committee participated in a self-evaluation and along with the board's evaluation of its effectiveness and its adopted annual work, the following focus areas for the future were identified:

- receiving and approving final proposals from the audit and risk committees for total compensation of the group heads of control functions following recommendation from senior management; and
- embedding the Prudential Standards in its mandate.

More detail is available in the remuneration report from page 104.

NOMINATIONS COMMITTEE

- Meets: Annually
- Chairman: Non-executive director (chairman of the board)
- Composition: Five non-executive directors, three being independent non-executive directors
- Qualifications and experience of members: Refer to the board profiles on pages 87 and 88
- Group CEO by invitation

As part of its 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;
- race diversity and gender diversity policies are 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; and
- formal succession plans for the board are developed, implemented and reviewed annually.

The nominations committee also:

- oversees the development, continued training and professional development of the directors; and
- annually reviews its terms of reference and recommends amendments to the board for approval.

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

Focus areas for the future:

- succession planning for executive roles;
- gender and race diversity remain key focus areas;
- 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.

MANAGEMENT COMMITTEES

EXECUTIVE COMMITTEE

- Meets: Quarterly
- Chairman: Group CEO
- Composition: Group CEO, group CFO, group COO, CEOs of the divisions, group head of legal and compliance, group head of risk, group head of HR, group head of internal audit, group CIO, group head of marketing and group company secretary

The Exco 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; and
- monitoring factors in the operating environment.

OPERATING COMMITTEE

- Meets: Monthly
- Chairman: Group COO
- Composition: Group support function heads and COOs of the divisions

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.

CREDIT COMMITTEE

- Meets: Monthly or less frequently if required
- Chairman: Group head of risk
- Composition: Select group and divisional executive management

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

INVESTMENT COMMITTEE

- Meets: Quarterly
- Chairman: Group CEO
- Composition: Select group and divisional executive management

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 shareholder investment portfolio against agreed parameters.

CUSTOMER SERVICE REVIEW COMMITTEE (CSRC)

- Meets: Quarterly
- Chairman: Group head of internal audit
- Composition: Certain group executive management

The CSRC was established to ensure that PSG Konsult has the necessary processes and systems in place to comply with the FSCAs 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; and
- identifying opportunities and making recommendations to improve customer service levels.

LEGISLATION COMMITTEE

- Meets: Monthly
- Chairman: Group COO
- Composition: Select group and divisional executive management

The legislation committee creates awareness of all legislation, both financial services and other legislation impacting the group.

In terms of financial services legislation only, the committee is responsible for:

- discussing the relevant regulatory change which has been 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; and
- reporting back on whether the implementation plans are successfully implemented and monitored.

Senior management within the group are invited to management committee 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 and improve an organisation's operations. It helps the organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes. 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 internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives.

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 management, 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™ requirements, 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' (IIA) Code of Ethics.

INCREASED CONTROL (IC) FRAMEWORK

The IC framework was developed 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; and
- confirming 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.

More information on the group's operating licences and membership of industry bodies is provided in the stakeholders section on pages 52 and 53.

The internal audit function supports the Exco in ensuring that this 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, sanctions or fines for contraventions of, or non-compliance with, statutory obligations.

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.

The board acknowledges its responsibility to ensure that 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

The integral role technology plays in the daily operations of PSG Konsult cannot be overstated. The scalability and efficiency of business functions are dependent on the state of its IT systems. PSG Konsult's business model is critically dependent on IT systems, as it requires a fully functional IT infrastructure to mobilise 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 (COBIT) 5 IT Governance Framework.

Regulatory changes, consumer advocacy and technology advances are increasingly joining forces to create a significantly more informed and empowered client. 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 technology environment an important aspect of the group's business.

PSG Konsult continues to invest in the development of its digital channels. This includes both enhancements of current functionality and the addition of new digital capabilities. The focus is on providing both clients and advisers with a differentiated 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 hardware upgrades.

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;
- managing the integration of people, technologies, information and processes across the group;
- monitoring and evaluating significant technology and information investments and expenditure;
- managing the integration of technology and information risks into organisation-wide risk management;
- ensuring that information assets are managed effectively;
- proactively monitoring intelligence to identify and respond to incidents, including cyber attacks and adverse social media events;
- ensuring that arrangements are in place to provide for business resilience;
- 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;
- the leveraging of 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; and
- monitoring and providing appropriate responses to developments in technology, including the capturing of potential opportunities and the management of disruptive effects on the group and its business model.

KEY DEVELOPMENTS

During the past year, the group ran successful disaster recovery and failover tests between Johannesburg and Cape Town for all business and support areas.

We migrated to an industry-leading, mature securities trading platform that is hosted in the cloud. We also launched a new digital funds transactional website with money-in transactions and aggregated quotes and fees as the initial offering.

FUTURE PRIORITIES

We continue to have a proactive approach and investment in cyber security measures, including user awareness. Enhancement and new development in digital service enablement through client journeys to place advisers and clients first in our strategy and offering continue to be priorities. We continue to leverage cloud services to enhance stability and security for our clients.

RISK REPORT

PSG Konsult continues to operate within acceptable risk and capital levels.

PSG Konsult remains aware and alert, and diligently responds to the challenges and ever-changing landscape in which it operates, incrementally enhancing our systems to focus, respond and mitigate regulatory, operational, market and information technology-related risks.

OVERVIEW

PSG Konsult's risk management objectives remain:

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

To drive and support risk management objectives, PSG Konsult's focus remains on:

- recurring revenues (which lead to enhanced sustainable earnings);
- sustainable margins (to ensure that 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); and
- capital management (to ensure that the group is resilient through any eventuality).

PSG Konsult's risk management plan delivers an appropriate and independent oversight framework, with reporting structures keeping management and the board informed. Changes in the risk landscape are known and material risks are managed at acceptable levels.

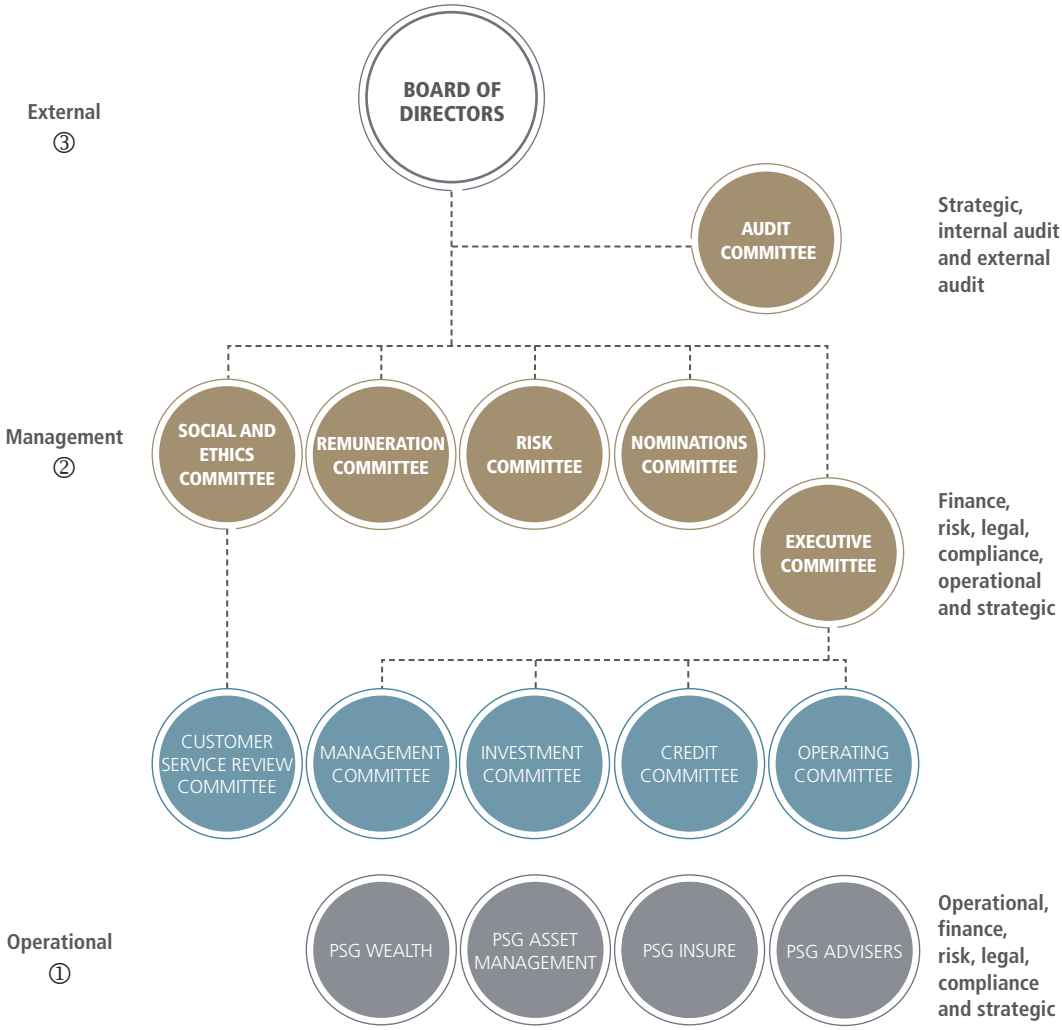
Examples of these include:

- three layers of defence governance structure;
- various committees with risk management responsibilities assisting the board; and
- 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 page 57.

THREE LAYERS OF DEFENCE APPROACH

The group 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 to develop and implement policies, procedures and controls to address, manage and reduce these risks and weaknesses.

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 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.

2019 IN A NUTSHELL

PSG Konsult remained aligned to its focus and risk objectives and implemented further improvements to strengthen its systems to better mitigate and manage the relevant risks it faces. The following highlights relate to the past financial year:

- Enhancements to policies, frameworks and operational metric reports
- Continued investment into resources, technology, data and security measures
- Submitted its fourth and improved ORSA report
- Increased presence and participation at industry and regulatory bodies
- Active engagement with the regulators
- Improved client engagements and communication

Despite global and local events and challenging markets, PSG Konsult consistently applied its investment philosophy to ensure that clients' and its own long-term objectives and needs remain on track and within acceptable risk parameters.

KEY RISK MANAGEMENT

PSG Konsult believes it continued the effective, regular management of the major risks it faces, and that risk management remains a key contributor to the sustainable growth and successes achieved. Risks faced are within PSG Konsult's risk tolerance levels, and where challenges have been experienced these have been addressed.

Regulatory risk	
Despite increased business volumes and growth, complaints remained stable and under control	• Dedicated independent legal and compliance function • Overseen by the compliance, risk and legal committees • Complaints also monitored by the PSG Konsult CSRC • Legislative changes centrally overseen by the PSG Konsult legislation committee • Active engagement with regulators and represented at most of the major regulatory bodies • Monthly capital adequacy review

Operational and information technology risk (including data)[1]	
In-time incident response and technology environment further strengthened	• Operational incident management system in place • Overseen by the PSG Konsult operating committee • Operational processes audited and improvements actioned • Focus on process enhancement, automation and IT optimisation

Underwriting risk (non-life)[1, 2]	
Western book performance monitored, and poor binders cancelled	• Underwriting risk mainly limited to non-life insurance activities at Western • Overseen 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 testing ensure that adequate capital levels are maintained

Counterparty risk (including credit risk)[2]	
High-quality counterparty exposure and adequate margins maintained	• Combined oversight by the PSG Konsult credit committee, investment committee and relevant management committees • Leveraged activities (i.e. derivative instruments) monitored to ensure that margin levels are maintained • Exposure mainly limited to top-rated local and international banks and corporates • Sufficient collateral held for most loans and security provided • Products and providers overseen by the product governance committees

Market/investment risk[2]	
Putting risk first	• Overseen by the PSG Konsult investment committee • Shareholder assets invested mainly in low-risk unit trusts • PSG Asset Management applies risk-based investment processes • Internal limits aligned to risk appetite and fund sizes • Transparent and measurable products with relatively low level of complexity

Liquidity risk[1, 2]	
Centralised treasury function	• Overseen by the PSG Konsult 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

[1] *Components of the section were included and audited as part of the risk-based internal audit programme.*
[2] *Section has been audited by the external auditor, PricewaterhouseCoopers Inc.*

THE YEAR AHEAD

PSG Konsult will continue to anticipate, understand and respond to change and any new or emerging risks. Our risk profile outlook for 2020 (based on expected change, challenge and resource allocation to respond) can be summarised as follows:

STRATEGIC No significant changes planned	**OPERATIONAL** Bedding down new securities platform, reviewing vendor dependency and fit, and streamlining processes	**REGULATORY** Adapting to and absorbing the continuous wave of regulatory change
INFORMATION TECHNOLOGY Continue automation and enhancing security measures	**UNDERWRITING** Business as usual with proper monitoring and oversight in place, monitoring Botswana closely	**CREDIT** Business as usual with proper monitoring and oversight in place
MARKET Volatile markets and events expected to remain	**LIQUIDITY** Adequate facilities in place	

REMUNERATION REPORT

THE REMUNERATION COMMITTEE CHAIRMAN'S STATEMENT

Introduction and context

I am pleased to present the 2019 remuneration report to the shareholders on behalf of PSG Konsult's board of directors and remuneration committee. This report encompasses PSG Konsult's board-approved remuneration policy and framework, and reports on the implementation thereof.

The current operating and trading environment is challenging; however, management has proven its ability to successfully execute the business strategy through profitable, sustainable growth in 2019. PSG Konsult registered a strong five-year compounded annual growth rate for recurring headline earnings of 19%, core income growth of 14%, growth in the total assets under management of 18% and growth in dividends per share of 13%.

Our approach to remuneration demonstrates an industry highly reliant on intellectual capital that is people orientated and driven by exceptional talent, producing both individual and group performance. We create an environment to develop entrepreneurs in an agile corporate structure, fit for the rapidly changing environment in which we operate. Our remuneration framework is competitive in the market in which we operate and supports shareholder value creation. In the 2019 financial year we reviewed our governance framework against the Prudential Standards and have embedded the requirements of the King IV™ Report.

The remuneration committee engaged with institutional investors regarding any feedback or concerns related to our remuneration policy (on a one-on-one basis). The remuneration committee will continue to do so in future.

Our 'fit for purpose' remuneration policy and framework are set out in the 'remuneration policy' section of this report from page 105. We are satisfied that the 2019 remuneration policy achieved its stated objectives.

In conclusion

Our 2019 remuneration policy was well received by shareholders and achieved a non-binding advisory vote of 97% in its favour at the 2018 AGM, while the remuneration implementation report also received a vote of 97% in its favour.

We will place our 2020 remuneration policy 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) aims to remunerate directors, executives and employees fairly and responsibly. This approach takes cognisance of remuneration best practices to ensure that 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 key performance indicators (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 employees[1] 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 company, 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 company 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 company is a guarantor of that loan, the value of –

(i) any interest deferred, waived or forgiven; or

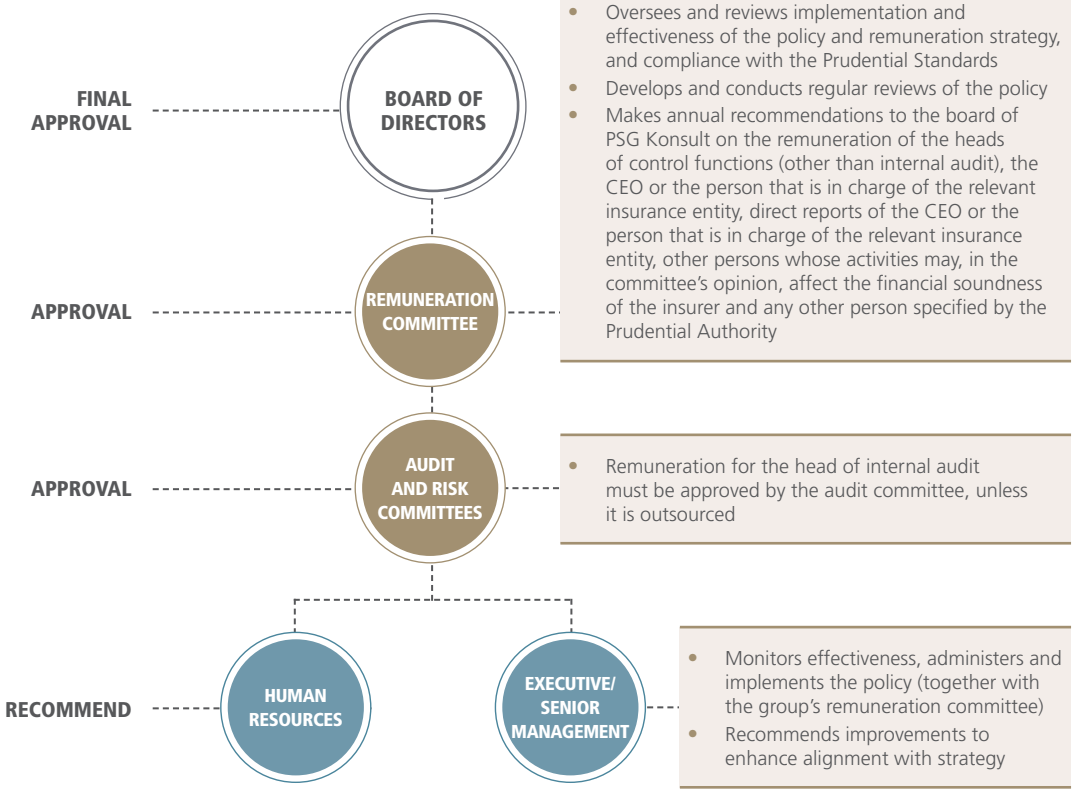
(ii) the difference in value between –

(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 are set out below:



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; and
- consider the provisions of the Employment Equity Act, No. 55 of 1998, as amended.

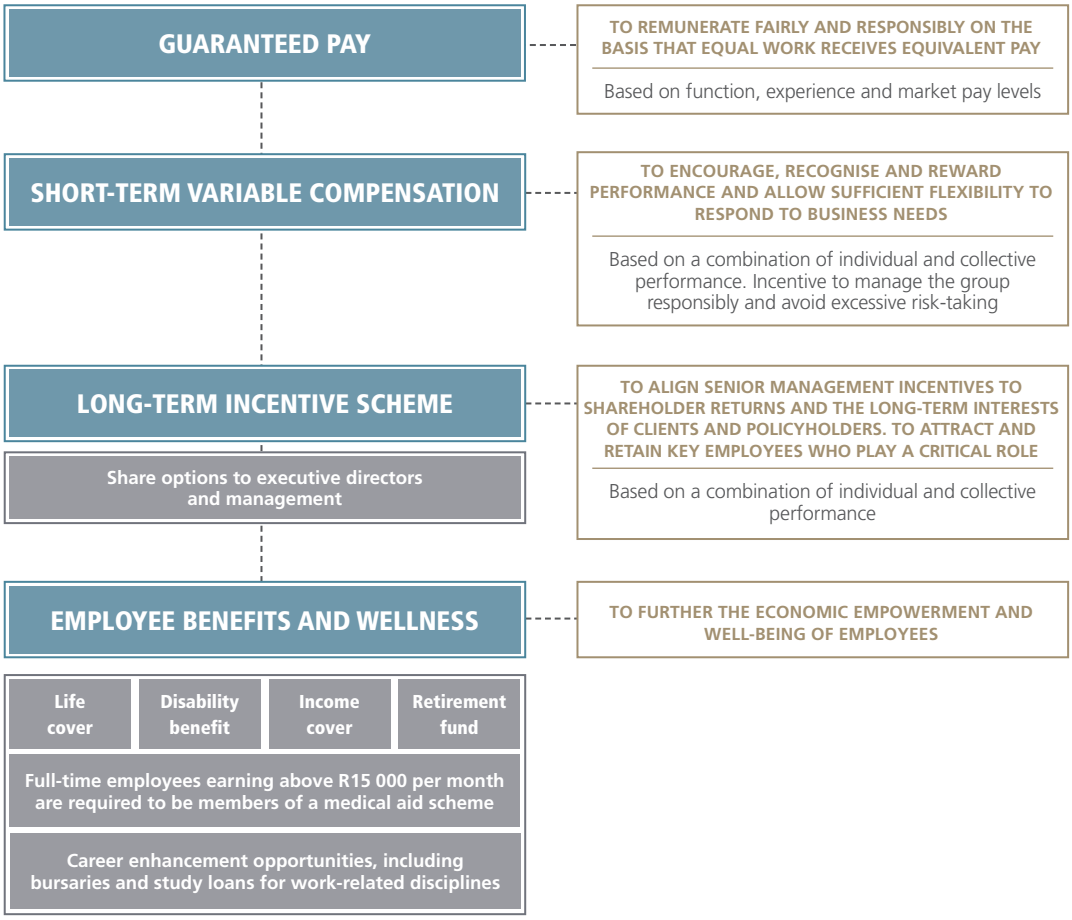
In relation to remuneration and specifically the principle of equal pay for work of equal value, the group bases fair and responsible pay on the concept of 'pay for performance' (which performance includes financial (if relevant) and non-financial performance).

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 a group, divisional and insurance entity level 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 remuneration committee has structured executive and senior employee remuneration 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 that these employees are adequately incentivised to manage the group responsibly and avoid excessive risk taking and assists the business manage operational costs.

Individual performance appraisals identify talent at all levels in the business 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 to allow enough flexibility for responding to different business needs. The group recognises and rewards performance, however, short-term variable compensation is not guaranteed. The assessment of performance is based on a combination of assessing 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 the overall business 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 in which it is allocated is agreed with the group remuneration committee every year giving due consideration to a range of both qualitative and quantitative factors.

In measuring and evaluating the business performance, the following guiding strategic principles 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

Variable pay 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 two 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 on an annual basis without deferment.

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

Long-term incentive scheme

On an annual basis, the group remuneration committee 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 (VWAP) market price. The scheme vests over a five-year period from the date on which the share option was awarded.

Shares vest 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%

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 in respect of 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 R200 000 per month (amount is adjusted annually by 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 in which they are involved. These salaries are determined and recommended by relevant senior management for consideration by the group remuneration committee, and for final approval by the shareholders at the AGM.

The proposed non-executive director (NED) fees for the period 1 March 2019 to 28 February 2020 are as follows (exclusive of VAT):

Role	FY2020
Chairman	R1 021 000
Board member	R250 000
Audit committee chairman	R113 400
Audit committee member	R68 000
Risk committee chairman	R113 400
Risk committee member	R68 000
Remuneration committee chairman	R56 700
Remuneration committee member	R34 000
Social and ethics committee chairperson	R56 700
Social and ethics committee member	R34 000
Nominations committee chairman	R28 350
Nominations committee member	R17 000

The NED fees will be increased by 6% from the previous financial year.

Executive members of the board, senior management and staff 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 key performance indicators 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; and
- 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 remuneration committee 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 remuneration committee 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; and
- 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; and
- is based on the performance of the individual employee.

Governance

Remuneration is governed by the group remuneration committee. This committee is mandated by the boards of PSG Konsult and its insurance entities, and reports to them. The group remuneration committee 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. Furthermore, the remuneration committee is responsible for awarding share incentives to group executives, and ensuring that 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 remuneration committee's opinion, affect the financial soundness of the group or relevant insurance entity and any other person specified by the Prudential Authority.

The group remuneration committee is responsible for developing and conducting regular reviews of this policy, as well as monitoring the implementation and effectiveness of this policy 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 have been included in the implementation report, which is included from page 112. Furthermore, an independent control function monitors how remuneration is applied to make sure that the group remuneration committee complies with this policy.

The group remuneration committee 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 organisation values.

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

Changes to the remuneration policy during the 2019 financial year

The group's remuneration policy was enhanced in the current year as a result of the implementation of the Prudential Standards for Insurers. Set out below is a summary of the noteworthy amendments to the policy.

Remuneration policy section	Amendment
Roles and responsibilities relating to the policy (page 106)	The roles and responsibilities relating to the remuneration policy have been expanded and includes the following specific requirements: • Remuneration for the head of internal audit must be approved by the audit committee. • The remuneration committee is responsible for overseeing and reviewing compliance with the Prudential Standards.
Remuneration elements: **Short-term variable compensation (page 107)**	The policy has been amended to clarify that the assessment of performance is based on a combination of assessing individual and collective performance, such as performance of the business area and the overall results of the group or the relevant insurance entity.
Remuneration of key persons (page 109)	The policy has been amended to include the following requirements relating to the remuneration of group heads of control functions. • Internal audit function: total compensation to be approved by the group audit committee. • Finance, risk and compliance functions: total compensation to be recommended to the group remuneration committee for consideration. The policy has been amended to include the following requirements relating to the remuneration of heads of control functions in each insurance entity: • Internal audit function: total compensation to be approved by the relevant audit committee, unless outsourced. • Finance, risk, compliance and actuarial functions: total compensation to be recommended to the group remuneration committee for consideration. The policy was amended to clarify that the guaranteed remuneration for all heads of control functions include financial (if relevant) and non-financial performance.
Governance of remuneration (page 110)	The policy has been amended to state that: • Reference to the chief executive officer also extends to the person controlling the relevant insurance entity or other persons whose activities may, in the group remuneration committee's opinion, affect the financial soundness of the group or relevant insurance entity and any other person specified by the Prudential Authority. • The remuneration committee is responsible for developing and conducting regular reviews of the policy, as well as monitoring the implementation and effectiveness of this policy and its compliance with the relevant Prudential Standard.

APPENDIX A – IMPLEMENTATION REPORT

FIXED REMUNERATION

The Remco approved an organisation-wide inflationary salary increase in line with the industry sector. After due consideration, the committee is satisfied that the increase levels for executive directors 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 to align senior management incentives, including those of the executive directors, 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 business successes.

Evaluating executive directors' long-term remuneration

The significant value of options redeemed/exercised during the year and closing indicative expected value included in the table on page 113 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, together with their successful execution of the group's objective of value creation for its shareholders and of 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 the past five 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, one should focus on the total return index (TRI) as a measurement tool. The TRI is the CAGR of an investment and is calculated by taking cognisance of 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 2019 was 18% per annum over the past five years. Therefore, if you had purchased R100 000 worth of PSG Konsult shares on 28 February 2014 and reinvested all your dividends, your investment would be worth around R231 461 as at 28 February 2019. The same investment in either the JSE All Share Index (ALSI) or JSE Financial Index (FINI) over the same period would be worth R137 399 (41% lower) or R166 193 (28% lower), respectively.

Over the same five-year period the group achieved a compounded annual growth rate of 19% in recurring headline earnings which is a best-in-class performance relative to other financial services companies in South Africa.

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 2019:

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

Audited	Number of share options as at 28 Feb 2018	Number of share options during year Granted	Number of share options during year Vested	Average market price per share on vesting date	Vesting price per share	Date granted	Number of share options as at 28 Feb 2019	Value of options redeemed/ exercised during year[1] R000	Closing indicative expected value as at 28 Feb 2019[2] R000
Executive									
FJ Gouws	3 125 000	–	(3 125 000)	R9.81	R2.83	1/03/2013	–	21 813	–
	3 175 000	–	(1 587 500)	R9.81	R5.06	1/03/2014	1 587 500	7 541	9 017
	671 389	–	(223 797)	R9.81	R7.27	1/04/2015	447 592	568	1 553
	10 335 579	–	(2 583 895)	R9.81	R6.81	1/04/2016	7 751 684	7 752	30 464
	3 156 559	–	–	–	R7.59	1/04/2017	3 156 559	–	9 943
	–	3 750 000	–	–	R8.74	1/04/2018	3 750 000	–	7 500
	20 463 527	3 750 000	(7 520 192)				16 693 335	37 674	58 477
MIF Smith	250 000	–	(250 000)	R9.81	R2.83	1/03/2013	–	1 745	–
	900 000	–	(450 000)	R9.81	R5.06	1/03/2014	450 000	2 138	2 556
	532 170	–	(177 390)	R9.81	R7.27	1/04/2015	354 780	451	1 231
	2 398 150	–	(599 538)	R9.81	R6.81	1/04/2016	1 798 612	1 799	7 069
	1 030 108	–	–	–	R7.59	1/04/2017	1 030 108	–	3 245
	–	1 200 000	–	–	R8.74	1/04/2018	1 200 000	–	2 400
	5 110 428	1 200 000	(1 476 928)				4 833 500	6 133	16 501
Non-executive									
W Theron	750 000	–	(750 000)	R9.81	R2.83	1/03/2013	–	5 235	–
	750 000	–	(750 000)				–	5 235	–

[1] *The value of options redeemed/exercised is the number of share options exercised in the 2019 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.*

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 23 April 2019 Messrs FJ Gouws and MIF Smith respectively accepted 4 000 000 and 1 000 000 share option awards at a strike price of R10.15 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 28 Feb 2018	Number of share options during year Granted	Number of share options during year Vested	Average market price per share on vesting date	Vesting price per share	Date granted	Number of share options as at 28 Feb 2019	Value of options redeemed/ exercised during year[1] R000	Closing indicative expected value as at 28 Feb 2019[1] R000
Non-executive									
PJ Mouton	32 263	–	(32 263)	R233.00	R61.50	28/02/2013	–	5 533	–
	330 942	–	(165 471)	R233.00	R83.23	28/02/2014	165 471	24 782	27 688
	56 020	–	(18 673)	R233.00	R136.84	28/02/2015	37 347	1 796	4 247
	83 993	–	(20 998)	R233.00	R178.29	29/02/2016	62 995	1 149	4 553
	84 203	–	–	–	R237.31	28/02/2017	84 203	–	1 116
	113 018	–	–	–	R236.13	28/02/2018	113 018	–	1 631
	–	227 700	–	–	R250.56	28/02/2019	227 700	–	–
	700 439	227 700	(237 405)				690 734	33 260	39 235

[1] *The value of options redeemed/exercised is the number of share options exercised in the 2019 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 volume weighted average share price, less the strike price of the instruments.*

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 2019 and 2018 financial years, is set out in the following tables:

For the year ended 28 February 2019 (Audited)	Directors' fees R000	Basic salary R000	Bonuses and performance-related payments R000	Expense allowances R000	Company contributions R000	LTI R000	Total R000
Executive directors							
FJ Gouws[1, 7]	250	5 142	20 600	–	68	37 674	63 734
MIF Smith[8]	–	2 474	7 500	96	38	6 133	16 241
	250	7 616	28 100	96	106	43 807	79 975
Non-executive directors							
W Theron[10]	1 318	–	–	–	–	5 235	6 553
J de V du Toit	428	–	–	–	–	–	428
PJ Mouton[2, 3, 9]	235	11 673	–	–	19	33 260	45 187
PE Burton[4]	1 103	–	–	–	–	–	1 103
ZL Combi[5]	1 127	–	–	–	–	–	1 127
R Stassen	235	–	–	–	–	–	235
Z Matsau[6]	396	–	–	–	–	–	396
	4 842	11 673	–	–	19	38 495	55 029
	5 092	19 289	28 100	96	125	82 302	135 004

For the year ended 28 February 2018 (Audited)	Directors' fees R000	Basic salary R000	Bonuses and performance-related payments R000	Expense allowances R000	Company contributions R000	LTI R000	Total R000
Executive directors							
FJ Gouws[1, 7]	155	4 800	18 800	–	72	38 531	62 358
MIF Smith[8]	–	2 304	7 000	96	37	2 833	12 270
	155	7 104	25 800	96	109	41 364	74 628
Non-executive directors							
W Theron[10]	1 146	–	–	–	–	3 953	5 099
J de V du Toit	475	–	–	–	–	–	475
PJ Mouton[2, 3, 9]	250	7 681	–	–	19	–	7 950
PE Burton[4]	803	–	–	–	–	–	803
ZL Combi[5]	832	–	–	–	–	–	832
R Stassen	188	–	–	–	–	–	188
Z Matsau[6]	170	–	–	–	–	–	170
	3 864	7 681	–	–	19	3 953	15 517
	4 019	14 785	25 800	96	128	45 317	90 145

1 *Director's fee of R0.3 million (2018: R0.2 million) paid to PSG Management Services Proprietary Limited as non-executive director of PSG Group Limited.*

2 *Remuneration paid by a subsidiary of PSG Group Limited.*

3 *Director's fee of R0.2 million (2018: R0.3 million) was paid to a subsidiary of PSG Group Limited.*

4 *Director's fee of R0.5 million (2018: R0.3 million) paid as non-executive director of PSG Group Limited. R0.1 million (2018: R0.1 million) was paid as non-executive director of PSG Konsult Limited subsidiary entities.*

5 *Director's fee of R0.4 million (2018: R0.2 million) paid as non-executive director of PSG Group Limited. R0.3 million (2018: R0.3 million) was paid as non-executive director of Curro Holdings Limited.*

6 *Appointed as a director of PSG Konsult Limited with effect from 20 July 2017.*

7 *Total performance incentive bonus awarded was R21.5 million (2018: R20.0 million). 70% of bonus awarded, being R15.1 million (2018: R14.0 million), is unconditional and was paid in cash in April 2019 and April 2018, 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: R3.2 million in April 2020 (2018: R3.0 million in April 2019), being 12 months after award date, while the remaining R3.2 million (2018: R3.0 million; 2017: R2.6 million) is conditional for 24 months until April 2021 (2018: April 2020; 2017: April 2019).*

8 *Total performance incentive bonus awarded was R7.5 million (2018: R 7.0 million), which was paid in cash in April 2019 and April 2018, 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 *Total salary approved, including company contributions, was R11.6m (2018: R11.0 million). 30% of this is deferred and paid out on a monthly basis during the ensuing year, subject to malus/clawback provisions, and the director remaining in PSG Group's service.*

10 *Director's fee of R0.4 million (2018: R0.2 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.

APPROVAL

This remuneration report was approved by the Remco on 14 March 2019. The Remco is satisfied that there are no deviations from the remuneration policy in its implementation during the 2019 financial year.





PSG KONSULT LIMITED ANNUAL FINANCIAL STATEMENTS

for the year ended 28 February 2019

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REPORT OF THE AUDIT COMMITTEE
for the year ended 28 February 2019

The committee is pleased to present its report for the financial year ended 28 February 2019.

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 requirements of King IV™, the Companies Act and other regulatory requirements.

COMPOSITION AND MEETING PROCEEDINGS
At 28 February 2019, 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 2019, the members of the audit committee were:

Membership and attendance	18 April 2018	10 October 2018
J de V Du Toit	✔	✔
PE Burton	✔	✔
ZL Combi	✔	✔
ZRP Matsau	✔	✔

✔ *Present*

The committee met twice, formally, in the financial year under review and had full attendance. In addition, an ad hoc meeting was held on 23 May 2018 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 chief executive officer and the chief financial officer attended all audit committee meetings. The group risk management function and internal audit function were also represented.

The external auditor, 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 pre-approval 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. The prospect of mandatory audit firm rotation was also considered by the committee during the current financial year. 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 and has nominated, for re-appointment at the annual general meeting, PricewaterhouseCoopers Inc. as the external auditor of PSG Konsult Limited for the financial year ending 29 February 2020. Mr DG Malan, the current designated individual registered auditor, will rotate from the audit at the end of the 2019 financial year and Mr RA Botha, as the designated individual registered auditor, will undertake the audit of PSG Konsult on behalf of PricewaterhouseCoopers Inc. for the 2020 financial year.

PricewaterhouseCoopers Inc., being the audit firm, as well as Mr DG Malan, being PSG Konsult's individual auditor for the 2019 financial year, have been accredited on the JSE list of auditors in terms of the criteria in the JSE Listings Requirements. As required by section 3.84(g)(iii) of the JSE Listings Requirements, the committee has satisfied itself that PricewaterhouseCoopers Inc. and Mr RA Botha are suitable for reappointment 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 also confirmed that it is and was satisfied that Mr MIF Smith, the group chief financial officer 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 120 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 2019, with specific consideration of the following significant financial reporting matters during the year:

- the implementation of the new accounting standards effective for the 2019 financial year (IFRS 9 – Financial instruments and IFRS 15 – Revenue from contracts with customers); and
- the key judgements used in the valuation of intangible assets.

The committee has reviewed impact assessments prepared by management on the transition to the new accounting standards effective for the 2019 financial year and the assumptions made. Additional disclosures regarding these have been presented in note 35 and note 20 to the group and company financial statements respectively. 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, as amended, and IFRS.



PE Burton
Chairman of the audit committee
17 May 2019

STATEMENT OF RESPONSIBILITY BY THE BOARD OF DIRECTORS

for the year ended 28 February 2019

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 2019, 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 both its accuracy and consistency with the annual financial statements.

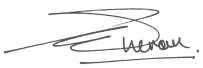
The directors have the responsibility of ensuring that adequate accounting records are kept. The accounting records should disclose, with reasonable accuracy, the financial position of the companies to enable the directors to ensure that the annual financial statements comply with relevant legislation.

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 127 to 131.

The annual financial statements, presented on pages 132 to 264, were approved by the board of directors on 17 May 2019 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 2019

The annual financial statements for the year ended 28 February 2019 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.

CERTIFICATE BY THE COMPANY SECRETARY

for the year ended 28 February 2019

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 2019, the company has lodged with the Registrar of Companies 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 2019

REPORT OF THE BOARD OF DIRECTORS
for the year ended 28 February 2019

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 2019.

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 (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 R602.2 million (2018: R566.5 million). The group's headline earnings attributable to shareholders amounted to R603.9 million (2018: R566.4 million).

CORPORATE TRANSACTIONS
PSG Insure concluded two acquisition agreements with Absa Insurance and Financial Advisers during the year under review. Following the completion of the commercial and industrial brokerage business acquisition effective 1 June 2018, the division acquired the remaining short-term face-to-face advisory insurance brokerage business, effective 1 December 2018. These two transactions enhanced PSG Insure's footprint across South Africa and are already contributing to the group's profitability.

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

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

During the year under review, the group, through its subsidiary PSG Wealth Financial Planning Proprietary Limited, concluded further revenue sharing arrangements with a number of its advisers. This has allowed the group to further standardise the revenue sharing model with advisers and has also given them the opportunity to invest in the future of PSG Konsult. The transactions were settled with a cash payment of R38.9 million by PSG Wealth Financial Planning Proprietary Limited.

DIVIDENDS
In line with the revised dividend policy at time of listing of between 40% and 50% of recurring headline earnings, the board approved and declared a final gross dividend of 13.5 cents per share (2018: 12.3 cents per share) from income on 17 April 2019. No provision has been included in the financial statements. This follows the interim dividend of 7.0 cents per share (2018: 5.7 cents per share) declared in October 2018, which brings the total gross dividend declared for the 2019 financial year to 20.5 cents per share (2018: 18.0 cents per share).

STATED CAPITAL
Details of the authorised and issued stated capital appear in note 11 to the group financial statements. In total, 22.6 million shares were issued during the year ended 28 February 2019 (28 February 2018: 20.1 million). The shares issued during the current financial year were to fulfil the company's obligation towards the share options which vested on 20 April 2018, 1 June 2018 and 1 August 2018 respectively. The shares issued during the previous financial year were to fulfil the company's obligation towards the share options which vested on 14 April 2017, 1 June 2017, 1 July 2017 and 1 August 2017 respectively, as well as the various asset-for-share transactions concluded during the financial year.

Subsidiaries in the group held 28.2 million PSG Konsult shares at 28 February 2019 (28 February 2018: 24.8 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 AND JOINT VENTURES
Details of the company's interests in subsidiaries and joint ventures are set out in Annexure B and C respectively.

SEGMENT INFORMATION
Refer to the segment report on pages 138 to 145.

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 31 to the group financial statements.

Details of directors' remuneration and their interest in the company's shares appear on pages 123 to 125.

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 note 36 to the group financial statements.

DIRECTORS

The directors of the company at the date of this report appear on pages 87 to 88. The following change to the board of directors took place during the year and up to the date of this report:

- Mr R Stassen retired from the board with effect from 31 May 2019.

DIRECTORS AND PRESCRIBED OFFICERS' REMUNERATION

The remuneration committee considers the remuneration of all executive directors and prescribed officers, as well as the fees paid to all non-executive directors. Fees payable to directors are recommended by the board to the annual general meeting 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 2019 R000	Total 2018 R000
Executive							
FJ Gouws[1, 7]	250	5 142	20 600	–	68	26 060	23 827
MIF Smith[8]	–	2 474	7 500	96	38	10 108	9 437
	250	7 616	28 100	96	106	36 168	33 264
Non-executive							
W Theron[10]	1 318	–	–	–	–	1 318	1 146
J de V du Toit	428	–	–	–	–	428	475
PJ Mouton[2, 3, 9]	235	11 673	–	–	19	11 927	7 950
PE Burton[4]	1 103	–	–	–	–	1 103	803
ZL Combi[5]	1 127	–	–	–	–	1 127	832
R Stassen	235	–	–	–	–	235	188
Z Matsau[6]	396	–	–	–	–	396	170
	4 842	11 673	–	–	19	16 534	11 564
	5 092	19 289	28 100	96	125	52 702	44 828

1 *Director's fee of R0.3 million (2018: R0.2 million) paid to PSG Management Services Proprietary Limited as non-executive director of PSG Group Limited.*

2 *Remuneration paid by a subsidiary of PSG Group Limited.*

3 *Director's fee of R0.2 million (2018: R0.3 million) was paid to a subsidiary of PSG Group Limited.*

4 *Director's fee of R0.5 million (2018: R0.3 million) paid as non-executive director of PSG Group Limited. R0.1 million (2018: R0.1 million) was paid as non-executive director of PSG Konsult Limited subsidiaries.*

5 *Director's fee of R0.4 million (2018: R0.2 million) paid as non-executive director of PSG Group Limited. R0.3 million (2018: R0.3 million) was paid as non-executive director of Curro Holdings Limited.*

6 *Appointed as a director of PSG Konsult Limited with effect from 20 July 2017.*

7 *Total performance incentive bonus awarded was R21.5 million (2018: R20.0 million). 70% of bonus awarded, being R15.1 million (2018: R14.0 million), is unconditional and was paid in cash in April 2019 and April 2018 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: R3.2 million in April 2020 (2018: R3.0 million in April 2019), being 12 months after award date, while the remaining R3.2 million (2018: R3.0 million; 2017: R2.6 million) is conditional for 24 months until April 2021 (2018: April 2020; 2017: April 2019).*

8 *Total performance incentive bonus awarded was R7.5 million (2018: R7.0 million), which was paid in cash in April 2019 and April 2018 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 *Total salary approved, including company contributions, was R11.6 million (2018: R11.0 million). 30% of this is deferred and paid out on a monthly basis during the ensuing year, subject to malus/clawback provisions, and the director remaining in PSG Group's service.*

10 *Director's fee of R0.4 million (2018: R0.2 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 on page 123.

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 28 Feb 2018	Number of share options during year Granted	Number of share options during year Vested	Average market price per share on vesting date	Vesting price per share	Date granted	Number of share options as at 28 Feb 2019
Executive							
FJ Gouws	3 125 000	–	(3 125 000)	R9.81	R2.83	1/03/2013	–
	3 175 000	–	(1 587 500)	R9.81	R5.06	1/03/2014	1 587 500
	671 389	–	(223 797)	R9.81	R7.27	1/04/2015	447 592
	10 335 579	–	(2 583 895)	R9.81	R6.81	1/04/2016	7 751 684
	3 156 559	–	–	–	R7.59	1/04/2017	3 156 559
	–	3 750 000	–	–	R8.74	1/04/2018	3 750 000
	20 463 527	3 750 000	(7 520 192)				16 693 335
MIF Smith	250 000	–	(250 000)	R9.81	R2.83	1/03/2013	–
	900 000	–	(450 000)	R9.81	R5.06	1/03/2014	450 000
	532 170	–	(177 390)	R9.81	R7.27	1/04/2015	354 780
	2 398 150	–	(599 538)	R9.81	R6.81	1/04/2016	1 798 612
	1 030 108	–	–	–	R7.59	1/04/2017	1 030 108
	–	1 200 000	–	–	R8.74	1/04/2018	1 200 000
	5 110 428	1 200 000	(1 476 928)				4 833 500
Non-executive							
W Theron	750 000	–	(750 000)	R9.81	R2.83	1/03/2013	–
	750 000	–	(750 000)				–

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

Audited	Number of share options as at 28 Feb 2018	Number of share options during year Granted	Number of share options during year Vested	Average market price per share on vesting date	Vesting price per share	Date granted	Number of share options as at 28 Feb 2019
Non-executive							
PJ Mouton	32 263	–	(32 263)	R233.00	R61.50	28/02/2013	–
	330 942	–	(165 471)	R233.00	R83.23	28/02/2014	165 471
	56 020	–	(18 673)	R233.00	R136.84	28/02/2015	37 347
	83 993	–	(20 998)	R233.00	R178.29	29/02/2016	62 995
	84 203	–	–	–	R237.31	28/02/2017	84 203
	113 018	–	–	–	R236.13	28/02/2018	113 018
	–	227 700	–	–	R250.56	28/02/2019	227 700
	700 439	227 700	(237 405)				690 734

SHAREHOLDING OF DIRECTORS

The shareholding of directors in the company as at 28 February was as follows:

As at 28 February 2019 (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	0.5
FJ Gouws	25 809 554	35 000 000	–	–	60 809 554	4.6
MIF Smith	250 000	–	–	2 300 000	2 550 000	0.2
W Theron	–	–	–	23 001 232	23 001 232	1.7
R Stassen	–	550 000	–	–	550 000	0.0
	26 059 554	35 550 000	–	31 301 232	92 910 786	7.0

As at 28 February 2018 (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	0.5
FJ Gouws	23 309 554	35 000 000	–	–	58 309 554	4.3
MIF Smith	245 711	–	–	2 238 474	2 484 185	0.2
W Theron	–	–	–	23 501 232	23 501 232	1.8
R Stassen	–	550 000	–	–	550 000	0.0
	23 555 265	35 550 000	–	31 739 706	90 844 971	6.8

The following changes occurred in the directors' shareholdings between the end of the financial year and the date of this report:

- On 29 April 2019, Mr FJ Gouws disposed of 4 000 000 PSG Konsult Limited ordinary shares.
- On 3 May 2019 and 29 April 2019, Messrs FJ Gouws and MIF Smith acquired 330 290 and 200 000 PSG Konsult Limited ordinary shares respectively, as they elected to exercise their share option awards and invest their deferred bonus awards 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. will continue in office in accordance with section 90(1) of the Companies Act.

SPECIAL RESOLUTIONS

The following special resolutions were passed by PSG Konsult Limited during the year under review:

- The company be authorised to remunerate its directors for their services as directors.
- The board of the company be 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 be 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 be 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.

REPORT OF THE BOARD OF DIRECTORS
for the year ended 28 February 2019

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 2019 other than what is disclosed in note 29 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 2019 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 2019, 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 132 to 262 comprise:

- the consolidated and company statements of financial position as at 28 February 2019;
- 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 group and company financial statements, which include a summary of significant accounting policies.

Certain required disclosures have been presented elsewhere in the integrated report, rather than in the notes to the financial statements. These are cross-referenced from the consolidated and separate 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 International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (Parts A and B).

Our audit approach

Overview



Overall group materiality

- R45 500 000, which represents 5% of profit before tax.

Group audit scope

- We performed full scope audits on eleven of the forty reporting units, covering the three reportable segments (PSG Wealth, PSG Asset Management and PSG Insure).
- We performed specified audit procedures on ten reporting units and analytical reviews on the remaining reporting units.

Key audit matters

- Valuation of intangible assets, including goodwill.
- Commission and other fee 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.

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.

INDEPENDENT AUDITOR'S REPORT
to the shareholders of PSG Konsult Limited

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	R45 500 000
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax 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 forty 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 profit before tax, we scoped in eleven of these reporting units, and performed full scope audits. Furthermore, we included reporting units within our overall scope where such reporting units contributed materially to the total asset value of the group. This led to a further ten reporting units being included in our overall scope where specified audit procedures on certain balances and transactions were performed. For the remaining 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.

Consolidated financial statements

Key audit matter	How our audit addressed the key audit matter
Valuation of intangible assets, including goodwill Refer to pages 241 and 242 (Detailed accounting policies – Intangible assets and Impairment of non-financial assets), page 137 (Summary of significant accounting policies – Critical accounting estimates and judgements in applying accounting policies) and pages 146 to 149 (note 1 to the group financial statements – Intangible assets). An annual impairment assessment for goodwill was performed by management (as required by IAS 36). In addition, an impairment assessment was performed on the customer relationships where there was objective evidence of impairment. The customer relationships were acquired separately or as part of past business combinations that reside within the Insure and Wealth reportable segments.	As part of our testing performed, we inspected that the final impairment calculations, including the final assumptions used, were approved by management. We utilised our valuation experts to assist in performing our audit procedures on the price-earnings multiple valuation used by management in determining the fair value less costs to sell of these assets, which included, among others: • For a sample, agreeing the normalised earnings used in the price-earnings multiple valuation to the actual recurring profit after tax for the year of the CGU. We found that the normalised earnings agreed to the actual recurring profit after tax for the year for the sample selected; • Testing the mathematical accuracy of the price-earnings multiple valuation. We found the price-earnings multiple valuation to be mathematically accurate; and

Key audit matter	How our audit addressed the key audit matter
Valuation of intangible assets, including goodwill (continued) For goodwill and customer relationships acquired as part of past business combinations, 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, an income approach (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. For customer relationships acquired separately, a discounted cash flow model is used to determine the value in use where there was objective evidence of impairment. The annual impairment test performed by management was considered 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 assumptions included in the price-earnings multiple valuation and the discounted cash flow model. These judgements include the recovery of goodwill and intangible assets which largely depends on the ability to achieve sufficiently profitable business in the respective cash-generating units (CGU). The performance of financial markets and the general economic conditions in the geographical region and reportable segment within which a particular CGU operates, are determining factors in the recoverability of the asset value. Management also makes use of assumptions regarding the price-earnings multiples in the price-earnings multiple valuation and the revenue growth rates (including the terminal growth rate) and discount rates, included in the weighted cost of capital in the discounted cash flow model.	• Comparing the price-earnings multiples used by management in their valuation (as disclosed in note 1 to the group financial statements) to our internally developed benchmarks. Our internal benchmarks were determined using the price-earnings multiples of various comparable companies. We found that the range of price-earnings multiples applied by management was comparable with our internally developed benchmarks. We utilised our valuation experts to assist in performing our audit procedures on the discounted cash flow model used by management in determining the value in use of these assets which included, among others: • Evaluating the future projected cash flows used in the discounted cash flow models to determine whether they are reasonable and supportable given the current macroeconomic climate and expected future performance of the CGU. This includes benchmarking the revenue growth rate applied against third-party and independently established rates. We found the revenue growth rate and projections used by management to be comparable with third-party and independently established rates, after allowing for the expected future outlook; • Comparing the projected cash flows against historical performance. We determined 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; • Testing the mathematical accuracy of the discounted cash flow model. We found the discounted cash flow model to be mathematically accurate; and • Comparing the risk-free rate and discount rates used by management in their discounted cash flow model (as disclosed in note 1 to the group financial statements) to our internally developed benchmarks. 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 also considered the adequacy of the disclosure in the financial statements of the impairment assessment of goodwill and customer relationships against the requirements of the financial reporting standards, and found these to be compliant.
Commission and other fee income Refer to pages 252 and 253 (Detailed accounting policies – Revenue Recognition) and page 172 (note 20 to the group financial statements – Revenue from contracts with customers and other operating income). Commission and other fee income is earned from services rendered to clients through a network of PSG Konsult financial advisers across South Africa, Namibia and Mauritius. These services include investment advice, stockbroking, estate planning, fiduciary services, investment management, insurance advice, underwriting and administration of short-term insurance policies.	We obtained an understanding of the relevant controls implemented over revenue recognition. Our controls testing included among others, testing of management's monthly review and approval of commission and other fees reported by the financial advisers. Our audit procedures included, among others: • Selecting and obtaining a sample of external confirmations from product providers, confirming the commission earned by the group's advisers for services rendered to their clients. We found that the confirmations obtained supported the revenue recognised for the selected sample;

Key audit matter	How our audit addressed the key audit matter
Commission and other fee income (continued) Revenue is recognised when the performance obligation is satisfied. The majority of services are rendered over a short duration or relate to regular servicing on a continuous basis. Settlement is due immediately or by the month-end during which the services were rendered. Regular and recurring fees billed in advance are recognised with reference to the services received by the customer. There were a large number of advisers at the end of the current year providing services to clients, generating total commission and other fee income of R3.2 billion for the group. The completeness of commission and other fee income recognised was considered a matter of most significance to our current year audit, due to the decentralised nature of the advisers' network, and due to the various types of services offered.	• Calculating revenue earned based on contractual terms and mandates for a sample of transactions, and comparing 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; • Comparing the names of product providers and advisers from whom revenue had been earned in the prior year to those in the current year as per the general ledger, and obtaining corroborating evidence for a sample to support any differences. We found that for the sample selected, the differences were supported by valid reasons such as business terminations or transfers; • With the assistance of our forensics team, we selected a sample of individual advisers and performed probity checks on various online databases and corporate registries to determine 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 • Selecting a sample of new policies entered into with clients during the financial year and tracing these to the revenue recognised. We found that all revenue relating to the sample of new policies selected was appropriately accounted for where the effective date of the new policy was within the financial year.

Separate financial statements
We have determined that there are no key audit matters in respect of the separate financial statements.

Other information
The directors are responsible for the other information. The other information comprises the information included in the Integrated Report of PSG Konsult Limited for the year ended 28 February 2019, 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. Other information does not include the consolidated and 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 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, 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, related safeguards.

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 20 years.

PricewaterhouseCoopers Inc
Director: DG Malan
Registered Auditor

Cape Town
17 May 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 28 February 2019

	Notes	2019 R000	2018 R000
ASSETS			
Intangible assets	1	**1 178 249**	1 027 805
Property and equipment	2	**67 244**	74 286
Investment in joint ventures	3	**1 525**	1 094
Deferred income tax assets	4	**101 091**	102 091
Equity securities	5	**2 353 387**	2 321 482
Debt securities	5	**6 262 071**	2 582 815
Unit-linked investments	5	**46 488 080**	42 196 090
Investment in investment contracts	5	**16 048**	14 798
Loans and advances	6	**128 995**	134 202
Derivative financial instruments	7	**10 592**	8 854
Reinsurance assets	8, 14	**103 758**	80 544
Deferred acquisition costs	19	**5 685**	4 820
Receivables including insurance receivables	9	**1 690 828**	1 904 775
Current income tax assets		**21 167**	39 089
Cash and cash equivalents (including money market funds)	10	**945 442**	1 920 626
Total assets		**59 374 162**	52 413 371
EQUITY			
Equity attributable to owners of the parent			
Stated capital	11	**2 129 572**	1 908 804
Treasury shares	11	**(230 723)**	(192 247)
Other reserves	12	**(360 826)**	(386 722)
Retained earnings		**1 451 251**	1 175 226
		2 989 274	2 505 061
Non-controlling interest	13	**225 308**	235 654
Total equity		**3 214 582**	2 740 715
LIABILITIES			
Insurance contracts	14	**542 086**	542 709
Deferred income tax liabilities	4	**47 702**	18 894
Borrowings	15	**112 314**	103 695
Derivative financial instruments	7	**13 973**	16 857
Investment contracts	16	**25 932 120**	24 278 949
Third-party liabilities arising on consolidation of mutual funds	17	**27 350 796**	22 585 256
Deferred reinsurance acquisition revenue	19	**4 904**	3 681
Trade and other payables	18	**2 153 524**	2 116 527
Current income tax liabilities		**2 161**	6 088
Total liabilities		**56 159 580**	49 672 656
Total equity and liabilities		**59 374 162**	52 413 371

CONSOLIDATED INCOME STATEMENT
for the year ended 28 February 2019

	Notes	2019 R000	2018 R000
Gross written premium		**1 256 763**	1 181 333
Less: Reinsurance written premium		**(355 297)**	(296 740)
Net written premium		**901 466**	884 593
Change in unearned premium			
– Gross		**32 436**	28 477
– Reinsurers' share		**2 859**	(4 033)
Net insurance premium revenue		**936 761**	909 037
Revenue from contracts with customers[1]	20	**3 350 590**	–
Commission and other fee income[1]	20	**–**	2 880 635
Interest income on amortised cost financial instruments[2]	21	**147 696**	197 328
Interest income on fair value through profit or loss financial instruments[2]	21	**1 256 793**	1 006 048
Dividend income[2]	21	**479 981**	423 476
Net fair value gains and losses on financial instruments	22	**646 786**	2 053 793
Fair value adjustment to investment contract liabilities	16	**(1 061 253)**	(1 654 563)
Fair value adjustment to third-party liabilities	17	**(1 196 594)**	(1 722 789)
Other operating income[1]	20	**10 573**	110 675
Total income		**4 571 333**	4 203 640
Insurance claims and loss adjustment expenses	23	**(803 746)**	(816 429)
Insurance claims and loss adjustment expenses recovered from reinsurers	23	**221 752**	187 368
Net insurance benefits and claims		**(581 994)**	(629 061)
Commission paid	24.1	**(1 367 697)**	(1 199 447)
Depreciation and amortisation	24.2	**(81 799)**	(69 725)
Employee benefit expenses	24.3	**(950 471)**	(825 668)
Marketing, administration and other expenses	24.4	**(643 783)**	(571 842)
Total expenses		**(3 625 744)**	(3 295 743)
Total profit/(loss) from joint ventures		**431**	(84)
Profit before finance costs and taxation		**946 020**	907 813
Finance costs	25	**(34 297)**	(38 941)
Profit before taxation		**911 723**	868 872
Taxation	26	**(269 179)**	(256 221)
Profit for the year		**642 544**	612 651
Attributable to:			
Owners of the parent		**602 174**	566 476
Non-controlling interest		**40 370**	46 175
		642 544	612 651
Earnings per share			
Basic earnings per share (cents)	27	**45.4**	43.0
Diluted earnings per share (cents)	27	**45.0**	42.6

[1] *Due to the adoption of IFRS 15 – Revenue from contracts with customers, income included within commission and other fee income and other operating income in the 2018 financial year has now been included within revenue from contracts with customers in the 2019 financial year.*

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 28 February 2019

	Notes	2019 R000	2018 R000
Profit for the year		**642 544**	612 651
Other comprehensive income for the year, net of taxation	26	**11 524**	(1 851)
Items that are or may be reclassified to profit or loss:			
Currency translation adjustments		**11 663**	(1 851)
Recycling adjustment on sale of foreign subsidiaries		**(139)**	–
Total comprehensive income for the year		**654 068**	610 800
Attributable to:			
Owners of the parent		**613 698**	564 625
Non-controlling interest		**40 370**	46 175
		654 068	610 800

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February 2019

	Attributable to equity holders of the group					
	Stated capital R000	Treasury shares R000	Other reserves[1] R000	Retained earnings R000	Non-controlling interest R000	Total R000
Balance at 1 March 2017	1 749 505	(59 206)	(399 700)	862 689	197 212	2 350 500
Comprehensive income						
Profit for the year	–	–	–	566 476	46 175	612 651
Other comprehensive income for the year	–	–	(1 851)	–	–	(1 851)
Total comprehensive income for the year	–	–	(1 851)	566 476	46 175	610 800
Transactions with owners	159 299	(133 041)	14 829	(253 939)	(7 733)	(220 585)
Issue of ordinary shares	159 299	–	–	–	–	159 299
Share-based payment costs	–	–	36 079	–	–	36 079
Treasury shares sold	–	172 170	–	–	–	172 170
Treasury shares purchased	–	(298 958)	–	–	–	(298 958)
Capital contribution by non-controlling interest	–	–	–	–	432	432
Release of profits from treasury shares to retained earnings	–	(6 253)	–	6 253	–	–
Current tax on equity-settled share-based payments	–	–	16 404	–	–	16 404
Deferred tax on equity-settled share-based payments	–	–	(5 089)	–	–	(5 089)
Loss on issue of shares in terms of share scheme	–	–	(83 673)	–	–	(83 673)
Release of share-based payment reserve to retained earnings on vested share options	–	–	51 108	(51 108)	–	–
Dividends paid	–	–	–	(209 084)	(8 165)	(217 249)
Balance at 28 February 2018	1 908 804	(192 247)	(386 722)	1 175 226	235 654	2 740 715
Comprehensive income						
Profit for the year	**–**	**–**	**–**	**602 174**	**40 370**	**642 544**
Other comprehensive income for the year	**–**	**–**	**11 524**	**–**	**–**	**11 524**
Total comprehensive income for the year	**–**	**–**	**11 524**	**602 174**	**40 370**	**654 068**
Transactions with owners	**220 768**	**(38 476)**	**14 372**	**(326 149)**	**(50 716)**	**(180 201)**
Issue of ordinary shares	**220 768**	**–**	**–**	**–**	**–**	**220 768**
Share-based payment costs	**–**	**–**	**39 538**	**–**	**–**	**39 538**
Treasury shares sold	**–**	**198 245**	**–**	**–**	**–**	**198 245**
Treasury shares purchased	**–**	**(234 268)**	**–**	**–**	**–**	**(234 268)**
Transactions with non-controlling interest	**–**	**–**	**–**	**(13 315)**	**(43 548)**	**(56 863)**
Release of profits from treasury shares to retained earnings	**–**	**(2 453)**	**–**	**2 453**	**–**	**–**
Current tax on equity-settled share-based payments	**–**	**–**	**20 845**	**–**	**–**	**20 845**
Deferred tax on equity-settled share-based payments	**–**	**–**	**3 372**	**–**	**–**	**3 372**
Loss on issue of shares in terms of share scheme	**–**	**–**	**(108 849)**	**–**	**–**	**(108 849)**
Release of share-based payment reserve to retained earnings on vested share options	**–**	**–**	**59 466**	**(59 466)**	**–**	**–**
Dividends paid	**–**	**–**	**–**	**(255 821)**	**(7 168)**	**(262 989)**
Balance at 28 February 2019	**2 129 572**	**(230 723)**	**(360 826)**	**1 451 251**	**225 308**	**3 214 582**

[1] *Refer to note 12 for detail of the other reserves.*

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 28 February 2019

	Notes	2019 R000	2018 R000
Cash flows from operating activities			
Cash utilised in operations[1]	32.1	**(1 016 172)**	(487 401)
Interest received		**1 404 489**	1 203 376
Dividends received		**479 981**	423 476
Finance costs		**(34 297)**	(23 105)
Taxation paid	32.2	**(222 391)**	(276 860)
Operating cash flows before policyholder cash movement		**611 610**	839 486
Policyholder cash movement		**7 111**	(13 238)
Net cash flow from operating activities		**618 721**	826 248
Cash flows from investing activities			
Acquisition of subsidiaries (including collective investment schemes)	32.4	**(1 226 304)**	–
Acquisition of intangible assets		**(94 672)**	(68 497)
Proceeds from disposal of intangible assets		**9 322**	929
Disposal of subsidiaries (including collective investment schemes)	32.5	**(32 100)**	–
Proceeds from disposal of property and equipment		**850**	659
Proceeds from disposal of assets and liabilities held for sale	32.7	**7 169**	–
Purchases of property and equipment		**(23 527)**	(45 321)
Loans advanced to joint ventures		**(809)**	(728)
Net cash flow from investing activities		**(1 360 071)**	(112 958)
Cash flows from financing activities			
Dividends paid to equity holders of the group		**(255 821)**	(209 084)
Dividends paid to non-controlling interest		**(7 168)**	(8 165)
(Acquisition from)/contribution by non-controlling interest	32.6	**(54 011)**	432
Advance of borrowings	32.3	**–**	100 000
Repayments of borrowings	32.3	**(742)**	(3 612)
Treasury shares sold by subsidiary		**198 245**	172 170
Purchase of treasury shares		**(234 268)**	(298 958)
Shares issued	11	**111 920**	70 339
Net cash flow from financing activities		**(241 845)**	(176 878)
Net (decrease)/increase in cash and cash equivalents		**(983 195)**	536 412
Cash and cash equivalents at beginning of the year		**1 920 626**	1 385 542
Exchange gains/(losses) on cash and cash equivalents		**8 011**	(1 328)
Cash and cash equivalents at end of the year	32.9	**945 442**	1 920 626

[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 Limited. PSG Life Limited, the group's linked insurance company, issues linked policies to policyholders (where the value of policy benefits is directly linked to the fair value of the supporting assets). When these policies mature, the company raises a debtor for the money receivable from the third-party investment provider, and raises a creditor for the amount owing to the client. 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 145 for the impact of the client-related balances on the cash utilised in operations.*

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

for the year ended 28 February 2019

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 mandatory adoption of IFRS 9 – Financial instruments and IFRS 15 – Revenue from contracts with customers, which are effective for years commencing 1 March 2018. The group has applied both standards retrospectively without restating comparative figures. Refer to note 35 for further detail.

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, as amended. 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 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 FSV basis as set out in SAP 104 – Calculation of the value of assets, liabilities and capital adequacy requirements of long-term insurers, short-term insurance contract liabilities that are measured in terms of the basis set out in APN 401, 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. Intangible assets acquired through business combinations during the 2019 financial year were valued using discount rates ranging between 13.1% and 19.1%. No business combinations occurred during the 2018 financial year 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 and the useful life of customer relationships of other players in the market.

For the key customer relationships recognised during the 2019 financial year as part of a business combination, a useful life of 20 years and an average cancellation rate of 5% were assumed. No business combinations occurred during the 2018 financial year 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 2019 financial year (2018: 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 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 (2018: 5.0 to 7.5). Alternatively a value-in-use calculation is performed when considered necessary.

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 (2018: 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 2019

The composition of the reportable segments represents the internal reporting structure and the monthly reporting to the chief operating decision-maker (CODM). The CODM, for the purpose of IFRS 8 – Operating segments, has been identified as the chief executive officer, supported by the group 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 2019	Wealth R000	Asset Management R000	Insure R000	Total R000
Headline earnings[1]	355 228	167 279	81 381	603 888
– recurring	338 594	167 279	85 226	591 099
– non-recurring	16 634	–	(3 845)	12 789
Recurring headline earnings – excluding intangible asset amortisation cost[2]	370 172	167 786	103 370	641 328

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

[1] *Headline earnings, calculated in terms of the requirements stipulated in Circular 4/2018 as issued by SAICA, comprise recurring and non-recurring headline earnings. Recurring headline earnings are calculated by excluding non-recurring headline earnings to increase comparability of the performance of the group from one year to another. Non-recurring headline earnings include one-off gains and losses and the resulting tax charge on these items.*

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

3. INCOME PER REPORTABLE SEGMENT

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

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

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 93.1% (2018: 92.9%) 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 (2018: none).

SEGMENT REPORTING
for the year ended 28 February 2019

4. DIVISIONAL INCOME STATEMENT

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

For the year ended 28 February 2019	Wealth R000	Asset Management R000	Insure R000	Total R000
Total income	2 277 655	562 264	1 763 658	4 603 577
Total expenses	(1 742 373)	(338 509)	(1 601 460)	(3 682 342)
	535 282	223 755	162 198	921 235
Total profit from joint ventures	–	–	431	431
Profit before finance costs and taxation	535 282	223 755	162 629	921 666
Finance costs[1]	(22 132)	(300)	(12)	(22 444)
Profit before taxation	513 150	223 455	162 617	899 222
Taxation	(151 651)	(56 197)	(48 830)	(256 678)
Profit for the year	361 499	167 258	113 787	642 544
Attributable to:				
Owners of the parent	355 360	167 258	79 556	602 174
Non-controlling interest	6 139	–	34 231	40 370
	361 499	167 258	113 787	642 544
Headline earnings	355 228	167 279	81 381	603 888
Recurring headline earnings	338 594	167 279	85 226	591 099

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

[1] *Finance costs in the PSG Wealth division consist mainly of the finance charge on the funding utilised to provide loan facilities to clients on their share portfolios at PSG Securities (secured by the underlying JSE Top 100 equity securities held in excess of four times the value of the loan facilities) on which PSG Wealth receives a margin. The finance costs of R22.1million (2018: R22.5 million) consist of R9.8 million (2018: R8.0 million) on the loan facilities, with the remaining portion of the finance charge on the CFD margin 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 contracts for difference assets and related liabilities.

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

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

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

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

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

SEGMENT REPORTING
for the year ended 28 February 2019

5. STATEMENT OF FINANCIAL POSITION (CLIENT VS OWN) (continued)

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

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

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

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

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

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

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

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

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

The revenue from contracts with customers has been disaggregated as follows in accordance with IFRS 15:

	Core business R000
Brokerage	209 778
Commission, administration and other fees	2 015 229
Management and performance fees	1 142 631
Policy administration fees	72 674
	3 440 312

SEGMENT REPORTING
for the year ended 28 February 2019

6. INCOME STATEMENT (CLIENT VS OWN) (continued)

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

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

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

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

7. STATEMENT OF CASH FLOWS (CLIENT VS OWN)

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

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

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

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

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

NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 28 February 2019

1. INTANGIBLE ASSETS

	Trademarks R000	Goodwill R000	Deferred acquisition costs R000	Customer relationships R000	Other intangibles R000	Total R000
As at 28 February 2019						
Cost	**9 989**	**490 254**	**26 328**	**1 056 895**	**62 988**	**1 646 454**
Accumulated amortisation and impairment	**(9 989)**	**(74 087)**	**(8 390)**	**(313 254)**	**(62 485)**	**(468 205)**
Balance at end of the year	**–**	**416 167**	**17 938**	**743 641**	**503**	**1 178 249**
Reconciliation						
Balance at beginning of the year	**–**	**390 099**	**15 744**	**620 326**	**1 636**	**1 027 805**
Additions	**–**	**–**	**3 139**	**87 355**	**74**	**90 568**
Disposals	**–**	**(4 437)**	**–**	**(6 569)**	**–**	**(11 006)**
Acquisition of subsidiaries (refer to note 32.4)	**–**	**34 939**	**–**	**95 880**	**–**	**130 819**
Reclassification to assets held for sale	**–**	**(3 600)**	**–**	**(3 122)**	**–**	**(6 722)**
Impairment	**–**	**(834)**	**–**	**–**	**–**	**(834)**
Amortisation	**–**	**–**	**(945)**	**(50 229)**	**(1 207)**	**(52 381)**
Balance at end of the year	**–**	**416 167**	**17 938**	**743 641**	**503**	**1 178 249**
As at 28 February 2018						
Cost	9 989	479 685	23 189	891 169	53 770	1 457 802
Accumulated amortisation and impairment	(9 989)	(89 586)	(7 445)	(270 843)	(52 134)	(429 997)
Balance at end of the year	–	390 099	15 744	620 326	1 636	1 027 805
Reconciliation						
Balance at beginning of the year	–	390 099	13 881	582 461	601	987 042
Additions	–	–	2 671	82 367	2 211	87 249
Disposals	–	–	–	(869)	(37)	(906)
Amortisation	–	–	(808)	(43 633)	(1 139)	(45 580)
Balance at end of the year	–	390 099	15 744	620 326	1 636	1 027 805

Included in other intangibles is computer software to the value of R0.4 million (2018: R1.5 million).

1. INTANGIBLE ASSETS (continued)

Customer relationships

The cash-generating unit (CGU) groups to which the customer relationships balance relates to are as follows:

CGU group	Reportable segment	2019 R000	2018 R000
Wealth distribution	PSG Wealth	**355 200**	354 038
Mauritius	PSG Wealth	**–**	3 212
Products and platform	PSG Wealth	**97 980**	82 510
Securities	PSG Wealth	**11 795**	11 406
Asset management	PSG Asset Management	**1 689**	2 196
Short-term distribution	PSG Insure	**237 673**	123 491
Short-term administration	PSG Insure	**22 732**	25 484
Short-term licence business	PSG Insure	**16 572**	17 989
		743 641	620 326

Included in customer relationships are the following material individual CGUs and their respective remaining amortisation period:

		Remaining amortisation period		Carrying value	
Individual CGU	CGU group	2019	2018	2019 R000	2018 R000
Wealth adviser office (no.4)	Products and platform	**12 years**	13 years	**72 778**	78 842
AIFA commercial and industrial	Short-term distribution	**19 years and 3 months**	–	**56 944**	–
Wealth adviser office (no.1)	Wealth distribution	**15 years**	16 years	**40 878**	43 603
AIFA personal lines	Short-term distribution	**19 years and 9 months**	–	**34 751**	–
Wealth adviser office (no.2)	Wealth distribution	**15 years**	16 years	**30 236**	32 252
Multinet Makelaars	Short-term distribution	**7 years and 1 month**	8 years and 1 month	**28 042**	31 977
Wealth adviser office (no.5)	Wealth distribution	**–**	19 years and 10 months	**–**	15 371
Wealth adviser office (no.6)	Products and platform	**14 years**	–	**14 467**	–
Wealth adviser office (no.3)	Wealth distribution	**17 years and 3 months**	18 years and 3 months	**14 060**	14 875
Diagonal Street Financial Services	Short-term distribution, Short-term administration	**11 years and 6 months**	12 years and 6 months	**13 554**	14 732
Tlotlisa Securities (T-Sec)	Wealth distribution, Securities	**10 years and 2 months**	11 years and 2 months	**12 200**	13 400
Wealth adviser office (no.7)	Wealth distribution	**19 years**	–	**10 543**	–
Multifund	Short-term distribution, Short-term administration	**11 years**	12 years	**9 913**	11 015
Insurance Solutions	Short-term licence business	**11 years**	12 years	**9 680**	10 560
PSG Short-Term Administration	Short-term administration	**7 years and 2 months**	8 years and 2 months	**9 620**	10 959
				357 666	277 586

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.

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 and the useful life of customer relationships of other players in the market.

1. INTANGIBLE ASSETS (continued)

Customer relationships (continued)

The amortisation charge on the customer relationships for the year ending 28 February 2019 was R50.2 million (2018: R43.6 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 2019				
Amortisation period	**15**	**10**	**65 027**	**97 541**
28 February 2018				
Amortisation period	15	10	58 243	87 365

Goodwill

The CGU groups to which the goodwill balance relates to are as follows:

CGU group	Reportable segment	2019 R000	2018 R000
Wealth distribution	PSG Wealth	**122 426**	122 426
Mauritius	PSG Wealth	**–**	4 434
Products and platform	PSG Wealth	**18 728**	18 728
Securities	PSG Wealth	**23 974**	23 683
Asset management	PSG Asset Management	**8 719**	8 719
Short-term distribution	PSG Insure	**160 667**	130 456
Short-term administration	PSG Insure	**7 458**	7 458
Short-term licence business	PSG Insure	**74 195**	74 195
		416 167	390 099

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	2019 R000	2018 R000
100% offices	Short-term distribution	**99 170**	101 890
Advance Wealth Management	Wealth distribution	**50 310**	50 310
Tlotlisa Securities (T-Sec)	Wealth distribution, Securities	**23 793**	23 793
AIFA commercial and industrial	Short-term distribution	**21 217**	–
AIFA personal lines	Short-term distribution	**11 714**	–
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
		238 748	208 537

1. INTANGIBLE ASSETS (continued)

Impairment assessment

When goodwill is evaluated for impairment on an annual basis, the carrying value is assessed on a price-earnings (PE) ratio basis 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, as well as recent transactions that occurred within the PSG Konsult Group. The range of PE ratios used varied from 5.0 to 7.5 (2018: 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 (2018: 5.0 to 7.5).

Where the impairment tests described above indicated that the intangible assets may need to be impaired, management assessed the recoverable amount of the CGUs based on value-in-use calculations of the various CGUs. These 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:

	2019 %	2018 %
Risk-free rate (2019: R209; 2018: R209)	**9.4**	8.9
Tax rate	**28.0**	28.0
Growth rate	**3.0**	3.0
Terminal growth rate	**3.0**	3.0
Discount rate	**18.3**	18.3

Management's assessment takes into account the current economic conditions prevalent in South Africa.

For those CGU groups where a value-in-use calculation was performed, a sensitivity analysis was performed on the calculated value. If the discount rate increases by 10%, the value in use would decrease on average by 11% (2018: 11%). Should the discount rate decrease by 10%, the value in use would increase on average by 14% (2018: 14%). 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 (2018: Rnil).

2. PROPERTY AND EQUIPMENT

	Motor Vehicles R000	Office equipment R000	Computer equipment R000	Total R000
As at 28 February 2019				
Cost	**1 364**	**96 021**	**99 898**	**197 283**
Accumulated depreciation and impairment	**(839)**	**(60 651)**	**(68 549)**	**(130 039)**
Balance at end of the year	**525**	**35 370**	**31 349**	**67 244**
Reconciliation				
Balance at beginning of the year	**698**	**37 473**	**36 115**	**74 286**
Additions	**25**	**10 659**	**12 843**	**23 527**
Disposals	**–**	**(283)**	**(323)**	**(606)**
Depreciation	**(175)**	**(12 369)**	**(16 874)**	**(29 418)**
Reclassification to assets held for sale	**(27)**	**(124)**	**(455)**	**(606)**
Impairment	**–**	**(11)**	**–**	**(11)**
Exchange differences	**4**	**25**	**43**	**72**
Balance at end of the year	**525**	**35 370**	**31 349**	**67 244**
As at 28 February 2018				
Cost	1 595	93 337	95 700	190 632
Accumulated depreciation and impairment	(897)	(55 864)	(59 585)	(116 346)
Balance at end of the year	698	37 473	36 115	74 286
Reconciliation				
Balance at beginning of the year	306	33 678	19 485	53 469
Additions	502	14 090	30 729	45 321
Disposals	(3)	(3)	(342)	(348)
Depreciation	(107)	(10 290)	(13 748)	(24 145)
Exchange differences	–	(2)	(9)	(11)
Balance at end of the year	698	37 473	36 115	74 286

Depreciation expense of R29.4 million (2018: R24.1 million) has been charged as part of depreciation and amortisation as disclosed in note 24.2.

3. INVESTMENT IN JOINT VENTURES

	2019 R000	2018 R000
Unlisted ordinary share investments	**1 525**	1 094
Reconciliation		
Balance at beginning of the year	**1 094**	1 178
Share of profits/(losses) after taxation	**431**	(84)
Balance at end of the year	**1 525**	1 094
Carrying value		
Shares at cost	**8 524**	8 524
Share of profits and reserves since acquisition	**10 314**	9 883
Dividends received	**(17 313)**	(17 313)
Balance at end of the year	**1 525**	1 094
Loan granted to joint venture[1]	**5 325**	4 516
Jan Jonker Property Investment Trust		
Unsecured loan bearing interest at Namibian prime rate plus 2% with no repayment terms	**5 325**	4 516

[1] *The loan granted to the joint venture is recoverable on demand and is included under note 9 (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.

Refer to Annexure C for further information regarding the joint venture.

4. DEFERRED INCOME TAX

	2019 R000	2018 R000
Analysis of the net deferred income tax balance[1]:		
Deferred income tax assets	**101 091**	102 091
Deferred income tax liabilities	**(47 702)**	(18 894)
Net deferred income tax assets	**53 389**	83 197
Deferred income tax assets		
To be recovered within 12 months	**79 337**	81 282
To be recovered after 12 months	**21 754**	20 809
	101 091	102 091
Deferred income tax liabilities		
To be recovered within 12 months[2]	**23 212**	24 284
To be recovered after 12 months	**(70 914)**	(43 178)
	(47 702)	(18 894)
The gross movement of the deferred income tax is as follows:		
Balance at beginning of the year	**83 197**	72 562
Other movements	**3 452**	1 307
Disposal of books of business	**1 241**	–
Acquisition of subsidiaries (refer to note 32.4)	**(26 846)**	–
Reclassification to assets and liabilities held for sale	**780**	–
Tax credit/(debit) to equity	**3 372**	(5 089)
(Charge)/credit to profit or loss	**(11 807)**	14 417
Balance at end of the year	**53 389**	83 197

[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 in the group reported a net deferred income tax liability at 28 February 2019 (28 February 2018: two), 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.*

4. DEFERRED INCOME TAX (continued)

The gross movement in the deferred income tax assets and liabilities during the year per category is as follows[1]:

Deferred income tax assets	Deferred revenue R000	Provisions R000	Tax losses carried forward R000	Accruals not currently deductible and other differences R000	Total R000
Carrying value at 1 March 2017	3 956	72 464	12 711	93 451	182 582
Credit/(charge) to profit or loss	482	7 376	(2 830)	(24 070)	(19 042)
Charge to equity	–	(5 089)	–	–	(5 089)
Other movements[2]	–	1 414	101	(208)	1 307
Carrying value at 28 February 2018	4 438	76 165	9 982	69 173	159 758
Credit/(charge) to profit or loss	**638**	**3 911**	**385**	**(19 255)**	**(14 321)**
Credit to equity	**–**	**3 372**	**–**	**–**	**3 372**
Other movements[2]	**–**	**2 226**	**262**	**916**	**3 404**
Carrying value at 28 February 2019	**5 076**	**85 674**	**10 629**	**50 834**	**152 213**

[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.*

Deferred income tax liabilities	Deferred acquisition cost R000	Prepaid expenses R000	Unrealised appreciation of investments R000	Other intangible assets R000	Foreign exchange and other R000	Total R000
Carrying value at 1 March 2017	(3 887)	(1 213)	(13 986)	(53 734)	(37 200)	(110 020)
(Charge)/credit to profit or loss	(521)	(1 446)	3 733	(381)	32 074	33 459
Carrying value at 28 February 2018	(4 408)	(2 659)	(10 253)	(54 115)	(5 126)	(76 561)
(Charge)/credit to profit or loss	**(615)**	**833**	**(2 760)**	**(87)**	**5 143**	**2 514**
Acquisition of subsidiaries (refer to note 32.4)	**–**	**–**	**–**	**(26 846)**	**–**	**(26 846)**
Disposal of book of business	**–**	**–**	**–**	**1 241**	**–**	**1 241**
Other movements	**–**	**–**	**–**	**828**	**–**	**828**
Carrying value at 28 February 2019	**(5 023)**	**(1 826)**	**(13 013)**	**(78 979)**	**17**	**(98 824)**

	2019 R000	2018 R000
Total accumulated losses available for which no deferred income tax asset has been raised:	**2 140**	1 575

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% (2018: 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 R10.6 million (2018: R10.0 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.

5. FINANCIAL INSTRUMENTS

	2019		2018	
Instrument per category	Fair value through profit or loss R000	Amortised cost R000	Fair value through profit or loss R000	Held-to-maturity R000
Equity securities	**2 353 387**	**–**	2 321 482	–
Debt securities	**6 195 523**	**66 548**	2 422 886	159 929
Unit-linked investments	**46 488 080**	**–**	42 196 090	–
Investment in investment contracts	**16 048**	**–**	14 798	–
	55 053 038	**66 548**	46 955 256	159 929

EQUITY SECURITIES

Reconciliation	Fair value through profit or loss R000	Total R000
Carrying value at 1 March 2017	2 256 923	2 256 923
Additions	697 706	697 706
Disposals	(740 291)	(740 291)
Unrealised fair value net gains	45 038	45 038
Exchange differences	(309)	(309)
Realised gains	12 976	12 976
Dividends and interest reinvested	49 439	49 439
Carrying value at 28 February 2018	2 321 482	2 321 482
Additions	**261 699**	**261 699**
Disposals	**(282 408)**	**(282 408)**
Unrealised fair value net gains	**34 881**	**34 881**
Exchange differences	**488**	**488**
Realised gains	**3 259**	**3 259**
Reclassification to assets held for sale	**(8)**	**(8)**
Dividends and interest reinvested	**13 994**	**13 994**
Carrying value at 28 February 2019	**2 353 387**	**2 353 387**

	2019 R000	2018 R000
Direct investments		
Consolidated collective investment schemes	**160 144**	111 617
Own balances	**16 444**	17 279
Investments linked to investment contracts	**2 176 799**	2 192 586
	2 353 387	2 321 482
Current portion	**256 729**	355 104
Non-current portion	**2 096 658**	1 966 378
	2 353 387	2 321 482

5. FINANCIAL INSTRUMENTS (continued)

DEBT SECURITIES

Reconciliation	Fair value through profit or loss R000	Held-to-maturity R000	Amortised cost R000	Total R000
Carrying value at 1 March 2017	2 691 152	144 092	–	2 835 244
Additions	4 228 942	–	–	4 228 942
Disposals	(4 397 388)	–	–	(4 397 388)
Maturities	(369 154)	–	–	(369 154)
Unrealised fair value net gains	14 952	–	–	14 952
Realised gains	13 587	–	–	13 587
Interest and dividends reinvested	240 795	–	–	240 795
Finance income	–	15 837	–	15 837
Carrying value at 28 February 2018	2 422 886	159 929	–	2 582 815
Reclassification under IFRS 9	**–**	**(159 929)**	**159 929**	**–**
Additions	**2 549 417**	**–**	**–**	**2 549 417**
Acquisition of subsidiaries (refer to note 32.4)	**3 391 088**	**–**	**–**	**3 391 088**
Disposals	**(1 883 731)**	**–**	**–**	**(1 883 731)**
Maturities	**(539 625)**	**–**	**(105 234)**	**(644 859)**
Unrealised fair value net losses	**(2 123)**	**–**	**–**	**(2 123)**
Realised gains	**38 418**	**–**	**–**	**38 418**
Interest and dividends reinvested	**219 193**	**–**	**–**	**219 193**
Finance income	**–**	**–**	**11 853**	**11 853**
Carrying value at 28 February 2019	**6 195 523**	**–**	**66 548**	**6 262 071**

	2019 R000	2018 R000
Direct investments		
Consolidated collective investment schemes	**5 841 398**	2 048 290
Own balances	**52 207**	50 974
Investments linked to investment contracts	**368 466**	483 551
	6 262 071	2 582 815
Current portion	**4 470 573**	1 130 277
Non-current portion	**1 791 498**	1 452 538
	6 262 071	2 582 815

5. FINANCIAL INSTRUMENTS (continued)

UNIT-LINKED INVESTMENTS

Reconciliation	Fair value through profit or loss R000	Total R000
Carrying value at 1 March 2017	37 653 998	37 653 998
Additions	9 063 186	9 063 186
Disposals	(7 620 087)	(7 620 087)
Exchange differences	(6 905)	(6 905)
Unrealised fair value net gains	1 683 225	1 683 225
Realised gains	283 850	283 850
Interest and dividends reinvested	1 138 823	1 138 823
Carrying value at 28 February 2018	42 196 090	42 196 090
Additions	**10 881 371**	**10 881 371**
Acquisition of subsidiaries (refer to note 32.4)	**251 697**	**251 697**
Disposals	**(7 048 046)**	**(7 048 046)**
Disposals of subsidiaries (refer to note 32.5)	**(1 785 201)**	**(1 785 201)**
Exchange differences	**59 458**	**59 458**
Unrealised fair value net losses	**(27 535)**	**(27 535)**
Realised gains	**523 846**	**523 846**
Reclassification to assets held for sale	**(20)**	**(20)**
Interest and dividends reinvested	**1 436 420**	**1 436 420**
Carrying value at 28 February 2019	**46 488 080**	**46 488 080**

	2019 R000	2018 R000
Direct investments		
Consolidated collective investment schemes	**22 355 944**	19 979 420
Own balances	**769 414**	629 630
Investments linked to investment contracts	**23 362 722**	21 587 040
	46 488 080	42 196 090
Current portion	**2 914 151**	3 801 385
Non-current portion	**43 573 929**	38 394 705
	46 488 080	42 196 090

5. FINANCIAL INSTRUMENTS (continued)

INVESTMENT IN INVESTMENT CONTRACTS

Reconciliation	Fair value through profit or loss R000	Total R000
Carrying value at 1 March 2017	15 521	15 521
Investment contracts benefits paid	(391)	(391)
Fair value adjustment and reinvestments to investment contracts	(332)	(332)
Carrying value at 28 February 2018	14 798	14 798
Investment contracts benefits paid	**(936)**	**(936)**
Fair value adjustment and reinvestments to investment contracts	**2 186**	**2 186**
Carrying value at 28 February 2019	**16 048**	**16 048**

	2019 R000	2018 R000
Investments linked to investment contracts	**16 048**	14 798
Current portion	**–**	–
Non-current portion	**16 048**	14 798
	16 048	14 798

6. LOANS AND ADVANCES

	2019 R000	2018 R000
Secured		
Loans to short-term insurance clients (i)	**2 790**	13 143
Loans to financial advisers (ii)	**84 377**	65 350
	87 167	78 493
Unsecured		
Loans to financial advisers (ii)	**37 180**	32 774
Loans with non-controlling interest (iii)	**468**	468
Other (iii)	**4 180**	22 467
	41 828	55 709
Total loans and advances	**128 995**	134 202
Current portion	**74 105**	82 430
Non-current portion	**54 890**	51 772
	128 995	134 202

(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% (2018: 5.10% and 8.10%).
- The repayment terms and conditions of the loans are negotiated on a case-by-case basis. Early settlement of loans is permitted, in which case the amount will be calculated as the outstanding capital plus any interest accrued until that date.
- The loan account can also be used as a drawdown facility whereby clients are allowed, subsequent to early settlement of the outstanding balance or a portion thereof, to require an additional advance, limited to a maximum of the original capital of the loan or the guarantee in place.
- The fair value of the collateral held in the form of warranties and guarantees was R2.8 million on 28 February 2019 (28 February 2018: R13.1 million).
- Should the market value of the instruments fall below the current value of the advances, the advances are impaired to the value of the underlying instruments.

(ii) Loans to financial advisers

The balance of the secured loans to financial advisers is made up as follows:

- R82.7 million (2018: R63.7 million) is repayable by monthly instalments and the effective interest rates applied range between 11.06% and 12.52% (2018: 10.24% and 13.23%); and
- R1.7 million (2018: R1.7 million) is interest-free and repayable on demand.

The unsecured loans to financial advisers' balance consists of:

- R14.7 million (2018: R22.9 million) is repayable by monthly instalments and the effective interest rate applied is 12.05% (2018: range between 11.24% and 12.24%);
- R25.7 million (2018: R15.0 million) is interest-free and repayable on demand; and
- an expected credit loss of R3.2 million (2018: provision for impairment of R5.1 million).

(iii) Other loans and advances

The remaining loans and advances consist of:

- R3.2 million (2018: R26.8 million) which accrues interest at rates ranging between 8.20% and 9.82% (2018: 9.12% and 12.55%) with fixed repayment dates;
- a provision for impairment of Rnil (2018: R7.8 million); and
- the remaining balance is interest-free and repayable on demand.

6. 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 as well as loans which are fully secured.
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 been assessed to be credit impaired as a result of: • the adviser no longer being employed by the group; • legal trying to recover the loan; or • the loan being 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 2018	97 827	3 765	1 630	103 222
New loans granted/advances on existing loans	**90 260**	**3 762**	**–**	**94 022**
Loan repayments/derecognised (excluding write-offs)	**(79 115)**	**(3 547)**	**(414)**	**(83 076)**
Interest accrued for the year	**10 917**	**502**	**–**	**11 419**
Transfers between stages	**(305)**	**174**	**131**	**–**
Write-offs	**–**	**–**	**(803)**	**(803)**
Carrying value at 28 February 2019	**119 584**	**4 656**	**544**	**124 784**

Under IFRS 9, loss allowances for loans to financial advisers are measured under the general expected credit loss impairment 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 2018	(2 187)	(1 286)	(1 625)	(5 098)
(Charge)/credit to profit or loss				
In respect of financial assets originated during the year	**(320)**	**(44)**	**(21)**	**(385)**
In respect of financial assets originated during prior years	**514**	**506**	**433**	**1 453**
Transfers between stages	**636**	**(514)**	**(122)**	**–**
Write-offs	**–**	**–**	**803**	**803**
Carrying value at 28 February 2019	**(1 357)**	**(1 338)**	**(532)**	**(3 227)**

7. DERIVATIVE FINANCIAL INSTRUMENTS

	2019 R000	2018 R000
Derivative financial assets	**10 592**	8 854
Derivative financial liabilities	**(13 973)**	(16 857)
Net derivative financial instruments	**(3 381)**	(8 003)
Derivative financial assets		
Current portion	**10 592**	8 854
Non-current portion	**–**	–
	10 592	8 854
Derivative financial liabilities		
Current portion	**(13 973)**	(16 857)
Non-current portion	**–**	–
	(13 973)	(16 857)
Analysis of net derivative balance		
Equity traded derivatives		
Contracts for difference	**(3 381)**	(8 003)
Reconciliation of net derivative balance		
Balance at beginning of the year	**(8 003)**	(2 786)
Additions	**4 622**	–
Disposals	**–**	(5 217)
Balance at end of the year	**(3 381)**	(8 003)

The notional principal amounts of the outstanding contracts for difference assets and liabilities at 28 February 2019 were R113.3 million (2018: R199.1 million) and R110.3 million (2018: R199.1 million) respectively.

8. REINSURANCE ASSETS

	2019 R000	2018 R000
Reinsurers' share of insurance liabilities	**103 758**	80 544
Balance at beginning of the year	**80 544**	71 966
Movement for the year	**23 214**	8 578
Total assets arising from reinsurance contracts	**103 758**	80 544
Current portion	**103 758**	80 544
Non-current portion	**–**	–
	103 758	80 544

Amounts due from reinsurers in respect of claims already paid by the group on the contracts that are reinsured, are included under note 9 (Receivables including insurance receivables).

9. RECEIVABLES INCLUDING INSURANCE RECEIVABLES

	2019 R000	2018 R000
Trade receivables	**169 933**	311 609
Receivables due from related parties (refer to note 31) (i)	**75 653**	70 343
Prepayments	**24 091**	19 482
Brokers and clearing houses and client accounts (ii)	**1 277 978**	1 372 631
Rental and other deposits	**7 281**	6 230
VAT receivable	**3 955**	13 850
Contracts for difference (iii)	**20 031**	22 619
Sundry debtors	**869**	954
	1 579 791	1 817 718
Insurance receivables[1]		
Due from contract holders and reinsurers	**111 037**	87 057
Total receivables including insurance receivables[2]	**1 690 828**	1 904 775
Current portion	**1 685 447**	1 900 212
Non-current portion	**5 381**	4 563
	1 690 828	1 904 775

[1] *The insurance receivables are accounted for in terms of IFRS 4.*
[2] *Includes non-financial assets of R28.1 million (2018: R33.4 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 R5.3 million (2018: R4.5 million) that accrue interest. The effective interest rate applied to these balances is 12.50% (2018: 12.48%) 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 R113.7 million (2018: R114.1 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 2019 and 28 February 2018 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 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 195 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 deemed to be immaterial.

10. CASH AND CASH EQUIVALENTS (INCLUDING MONEY MARKET FUNDS)

	2019 R000	2018 R000
Cash at bank and in hand	**587 202**	687 805
Money market funds[1]	**–**	851 149
Short-term deposits	**358 240**	381 672
	945 442	1 920 626

[1] *The cash invested in the PSG Money Market Fund was derecognised as a result of the consolidation of the fund in terms of IFRS 10 – Consolidated financial statements as at 28 February 2019. Refer to note 32.4 for further details.*

The effective interest rate on cash and cash equivalents was 6.64% (2018: 6.38%). The money market funds and the short-term deposits have an average maturity of 30 days or less.

Impairments on cash and cash equivalents for the 2019 financial year 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 R8.1 million (2018: R1.0 million). Refer to note 16.

11. STATED CAPITAL

Authorised

3 billion shares with no par value
(2018: 3 billion shares with no par value)

There were no changes to the authorised stated capital during the current reporting period (2018: no changes).

Issued shares	Number of shares (thousands)	Stated capital R000
As at 1 March 2017	1 322 100	1 749 505
Issue of ordinary shares	20 142	159 299
As at 28 February 2018	1 342 242	1 908 804
Issue of ordinary shares	**22 643**	**220 768**
As at 28 February 2019	**1 364 885**	**2 129 572**

The shares issued during the current financial year were to fulfil the group's obligation towards the share options which vested on 20 April 2018, 1 June 2018 and 1 August 2018 respectively.

The shares issued during the previous financial year were to fulfil the group's obligation towards the share options which vested on 14 April 2017, 1 June 2017, 1 July 2017 and 1 August 2017 respectively, as well as the asset-for-share transactions detailed below.

During the 2018 financial year, the group, through its subsidiary PSG Wealth Financial Planning Proprietary Limited, concluded further asset-for-share transactions utilising section 42 of the Income Tax Act, No. 58 of 1962 (Income Tax Act) with a number of its advisers (on the same basis as in the 2017 financial year). This has allowed the group to further standardise the revenue sharing model with advisers and has also given them the opportunity to invest in the future of PSG Konsult. The transactions were settled with the issue of 0.6 million PSG Konsult shares at an average of R8.97 per share and a cash payment of R17.3 million by PSG Wealth Financial Planning Proprietary Limited.

11. STATED CAPITAL (continued)

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.

Summary of the cash flow impact of the shares issued during the respective financial years	2019 R000	2018 R000
Issue of ordinary shares	**220 768**	159 299
Loss on issue of shares in terms of share scheme	**(108 848)**	(83 673)
Shares issued for asset-for-share transaction	**–**	(5 287)
Net cash inflow	**111 920**	70 339

Treasury shares

The shares bought back as treasury shares during the current financial year, by the PSG Konsult Group Share Incentive Scheme in order to fulfil certain of the scheme's obligations, are reflected as a deduction against equity. Refer to note 36 for the share analysis.

Analysis of treasury shares	Number of shares (thousands)	Treasury shares R000
As at 1 March 2017	8 989	59 206
Treasury shares sold	(21 405)	(172 170)
Treasury shares purchased	37 205	298 958
Release of profits on disposal from treasury shares to retained earnings	–	6 253
As at 28 February 2018	24 789	192 247
Treasury shares sold	**(20 580)**	**(198 245)**
Treasury shares purchased	**24 009**	**234 268**
Release of profits on disposal from treasury shares to retained earnings	**–**	**2 453**
As at 28 February 2019	**28 218**	**230 723**

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 – 2019: nine; 2018: eight). In terms of the scheme, share options are granted to executive directors, 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.

11. STATED CAPITAL (continued)

Share incentive scheme (continued)

The total equity-settled share-based payment costs recognised in the income statement for the scheme were R39.5 million (2018: R36.1 million). The share-based payment costs expensed during the year were credited to other reserves (as part of equity – refer to note 12).

The weighted average strike price of share options exercised in terms of the equity-settled share scheme during the year under review was R5.01 per share (2018: R3.90 per share).

The total fair value of the 198.1 million share options granted is R214.8 million (2018: 177.6 million share options granted with fair value of R172.2 million) and was determined using the Black-Scholes valuation model. The fair value of the options granted on 1 April 2018 is R42.6 million (1 April 2017: R42.6 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[2]	11 753 248	1.83	2.93	5.85	7.38	1.85
1 March 2013[3]	46 250 000	2.83	30.00	6.00	6.20	2.40
1 June 2013[4]	1 000 000	2.80	24.00	4.20	7.26	2.55
1 August 2013[5]	300 000	3.40	24.00	3.46	7.26	3.50
1 March 2014[7]	25 000 000	5.06	29.25	2.23	8.07	4.30
1 April 2014[6]	240 000	0.00	29.25	2.23	8.07	4.30
1 April 2015[8]	14 755 778	7.27	24.74	1.99	7.06	7.25
1 April 2016[9]	27 700 778	6.81	34.72	2.24	8.42	6.84
1 August 2016[10]	150 000	6.83	34.14	2.26	7.79	6.77
1 April 2017[11]	22 739 006	7.59	26.76	2.35	7.62	7.55
1 April 2018[12]	20 475 000	8.74	22.06	2.45	7.81	8.90
	198 124 894					

1 *Volatility set at historic trend levels of PSG Konsult shares.*
2 *During the 2018 financial year, 2.68 million shares vested with a weighted average strike price of R1.83 per share.*
3 *During the 2019 financial year, 8.36 million shares vested with a weighted average strike price of R2.83 per share (2018: 8.61 million shares vested with a weighted average strike price of R2.83 per share).*
4 *During the 2019 financial year, 0.25 million shares were cancelled (2018: 0.25 million shares vested with a weighted average strike price of R2.80 per share).*
5 *During the 2019 financial year, 0.08 million shares vested with a weighted average strike price of R3.40 per share (2018: 0.08 million shares vested with a weighted average strike price of R3.40 per share).*
6 *During the 2018 financial year, 0.08 million shares vested with a weighted average strike price of Rnil per share.*
7 *During the 2019 financial year, 4.93 million shares vested with a weighted average strike price of R5.06 per share, and 0.05 million shares were cancelled (2018: 4.99 million shares vested with a weighted average strike price of R5.06 per share).*
8 *During the 2019 financial year, 2.77 million shares vested with a weighted average strike price of R7.27 per share, and 0.16 million shares were cancelled (2018: 2.87 million shares vested with a weighted average strike price of R7.27 per share, and 0.03 million shares were cancelled).*
9 *During the 2019 financial year, 6.51 million shares vested with a weighted average strike price of R6.81 per share and 0.42 million shares were cancelled (2018: 0.02 million shares were cancelled).*
10 *During the 2019 financial year, 0.01 million shares vested with a weighted average strike price of R6.83 per share and 0.10 million shares were cancelled.*
11 *During the 2019 financial year, 1.65 million shares were cancelled (2018: 0.03 million shares were cancelled).*
12 *During the 2019 financial year, 0.70 million shares were cancelled.*

11. STATED CAPITAL (continued)

Share incentive scheme (continued)

Analysis of outstanding share options by financial year of maturity	2019 Weighted average strike price R	2019 Number	2018 Weighted average strike price R	2018 Number
28 February 2019	–	–	4.99	23 041 226
29 February 2020	6.64	19 379 258	6.66	20 030 759
28 February 2021	7.58	19 398 008	7.19	15 080 759
28 February 2022	7.63	16 668 573	7.17	12 282 977
28 February 2023	8.15	10 208 664	7.59	5 677 034
29 February 2024	8.74	4 943 750	–	–
		70 598 253		76 112 755

Analysis of share options	2019 Number	2018 Number
Number of share options allocated at beginning of the year	76 112 755	73 010 378
Number of share options cancelled during the year	(3 334 092)	(85 935)
Number of share options vested during the year	(22 655 410)	(19 550 694)
Number of share options allocated during the year	20 475 000	22 739 006
Number of share options allocated at end of the year	70 598 253	76 112 755
Analysis of outstanding scheme shares per award		
1 March 2013	–	8 362 500
1 June 2013	–	250 000
1 August 2013	–	75 000
1 March 2014	4 925 000	9 900 000
1 April 2015	5 458 872	8 393 346
1 April 2016	19 342 225	26 273 774
1 August 2016	37 500	150 000
1 April 2017	21 059 656	22 708 135
1 April 2018	19 775 000	–
	70 598 253	76 112 755

The weighted average PSG Konsult share price for the year was R9.84 (2018: R8.35).

12. OTHER RESERVES

	Foreign currency translation R000	Share-based payment R000	Common control R000	Total R000
Carrying value at 1 March 2017	(5 709)	65 346	(459 337)	(399 700)
Share-based payment costs	–	36 079	–	36 079
Currency translation adjustments	(1 851)	–	–	(1 851)
Deferred tax on equity-settled share-based payments	–	(5 089)	–	(5 089)
Current tax on equity-settled share-based payments	–	16 404	–	16 404
Loss on issue of shares in terms of share scheme	–	(83 673)	–	(83 673)
Release of share-based payment reserve to retained earnings	–	51 108	–	51 108
Carrying value at 28 February 2018	(7 560)	80 175	(459 337)	(386 722)
Share-based payment costs	**–**	**39 538**	**–**	**39 538**
Currency translation adjustments	**11 663**	**–**	**–**	**11 663**
Deferred tax on equity-settled share-based payments	**–**	**3 372**	**–**	**3 372**
Current tax on equity-settled share-based payments	**–**	**20 845**	**–**	**20 845**
Loss on issue of shares in terms of share scheme	**–**	**(108 849)**	**–**	**(108 849)**
Release of share-based payment reserve to retained earnings	**–**	**59 466**	**–**	**59 466**
Currency translation recycling in respect of foreign subsidiary sold	**(139)**	**–**	**–**	**(139)**
Carrying value at 28 February 2019	**3 964**	**94 547**	**(459 337)**	**(360 826)**

The common control reserve originated from various business combinations concluded with companies within the PSG Group. The IFRS for business combinations (IFRS 3) 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.

13. NON-CONTROLLING INTEREST

	2019 R000	2018 R000
Balance at beginning of the year	**235 654**	197 212
Profit for the year	**40 370**	46 175
Dividends paid	**(7 168)**	(8 165)
Capital contribution by non-controlling interest	**–**	432
Additional interest acquired from non-controlling interest	**(43 548)**	–
Balance at end of the year	**225 308**	235 654

14. INSURANCE CONTRACTS AND REINSURANCE ASSETS

	2019 R000	2018 R000
Gross		
Long-term insurance contracts (refer to a)	**20 800**	21 551
Short-term insurance contracts		
– claims reported and loss adjustment expenses (refer to b)	**155 560**	121 099
– claims incurred but not reported (refer to c)	**86 747**	85 076
– unearned premiums and unexpired risk provision (refer to d)	**278 979**	314 983
Total insurance liabilities – gross	**542 086**	542 709
Current portion	**521 286**	521 158
Non-current portion	**20 800**	21 551
Recoverable from reinsurers		
Long-term insurance contracts (refer to a)	**–**	–
Short-term insurance contracts		
– claims reported and loss adjustment expenses (refer to b)	**66 621**	48 505
– claims incurred but not reported (refer to c)	**21 390**	19 149
– unearned premiums and unexpired risk provision (refer to d)	**15 747**	12 890
Total reinsurers' share of insurance liabilities	**103 758**	80 544
Current portion	**103 758**	80 544
Non-current portion	**–**	–
Net		
Long-term insurance contracts (refer to a)	**20 800**	21 551
Short-term insurance contracts		
– claims reported and loss adjustment expenses (refer to b)	**88 939**	72 594
– claims incurred but not reported (refer to c)	**65 357**	65 927
– unearned premiums and unexpired risk provision (refer to d)	**263 232**	302 093
Total insurance liabilities – net	**438 328**	462 165

14. 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 2019 and 28 February 2018 are not material.

Movements in insurance contracts and reinsurance assets

	2019 R000	2018 R000
a) Long-term insurance contracts		
Balance at beginning of the year	**21 551**	23 399
Liabilities released for payments on death, surrender and other terminations for the year	**(2 701)**	(2 611)
Fees deducted from account balances	**(154)**	(168)
Transfer to policyholder funds	**1 557**	–
Changes in unit prices	**547**	931
Balance at end of the year	**20 800**	21 551

Refer to page 210 for the significant assumptions used in the long-term insurance contract liabilities.

	2019 Gross R000	2019 Reinsurance R000	2019 Net R000	2018 Gross R000	2018 Reinsurance R000	2018 Net R000
b) Claims reported and loss adjustment expenses						
Balance at beginning of the year	**121 099**	**(48 505)**	**72 594**	116 322	(38 323)	77 999
Cash paid for claims settled in the year	**(762 556)**	**199 217**	**(563 339)**	(781 168)	174 757	(606 411)
Increase in liabilities						
– arising from current year claims	**917 579**	**(265 256)**	**652 323**	900 767	(220 501)	680 266
– arising from prior year claims	**(120 526)**	**45 744**	**(74 782)**	(114 822)	35 562	(79 260)
Other movements	**(36)**	**2 179**	**2 143**	–	–	–
Balance at end of the year	**155 560**	**(66 621)**	**88 939**	121 099	(48 505)	72 594
c) Provision for IBNR						
Balance at beginning of the year	**85 076**	**(19 149)**	**65 927**	60 011	(16 720)	43 291
Charged to the income statement	**1 671**	**(2 241)**	**(570)**	25 065	(2 429)	22 636
Balance at end of the year	**86 747**	**(21 390)**	**65 357**	85 076	(19 149)	65 927
d) Provision for unearned premiums and unexpired risk provision						
Balance at beginning of the year	**314 983**	**(12 890)**	**302 093**	344 503	(16 923)	327 580
Charged to the income statement	**(32 436)**	**(2 859)**	**(35 295)**	(28 477)	4 033	(24 444)
Other movements	**(3 568)**	**2**	**(3 566)**	(1 043)	–	(1 043)
Balance at end of the year	**278 979**	**(15 747)**	**263 232**	314 983	(12 890)	302 093

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.

15. BORROWINGS

	2019 R000	2018 R000
Secured		
Bank loans (i)	**9 362**	–
Domestic Medium Term Note programme (ii)	**101 227**	101 228
	110 589	101 228
Unsecured (iii)		
Other short-term loans	**1 725**	2 467
Total borrowings	**112 314**	103 695
Current portion	**12 314**	3 695
Non-current portion	**100 000**	100 000
	112 314	103 695

(i) Bank loans

- Includes a non-recourse facility obtained from Investec Bank Limited, which is secured by the underlying JSE equity securities and cash held by the clients in their BDA accounts in terms of the loan facility entered into with PSG Scriptfin Proprietary Limited.
- The non-recourse collateralised revolving facility was entered into between Investec Bank Limited, PSG Scriptfin Proprietary Limited and the underlying client, and is repayable by the client to Investec Bank Limited upon written notice to the client. This non-recourse loan has a balance of R9.4 million (2018: Rnil), and is secured by assets with a market value of R32.2 million at 28 February 2019. Interest is charged at prime less 1.5% and is settled on a daily basis depending on the value of the security.

(ii) Domestic Medium Term Note (DMTN) programme

- PSG Konsult Treasury Limited established a R3.0 billion DMTN programme during the 2018 financial year.
- The maiden note issued of R100.0 million was fully subscribed to by Absa Alternative Asset Managers. The note has a three-year term with a floating interest rate of the three-month JIBAR plus a margin of 2.18%. The capital is repayable on 12 July 2020.
- PSG Konsult Limited provided an irrevocable, unconditional guarantee for all the obligations and liabilities of PSG Konsult Treasury Limited to and in favour of the noteholders of the notes issued.

(iii) Unsecured borrowings

- The unsecured borrowings are interest-free and repayable on demand.

The continual focus on optimising cash flow management and debt funding positions led to the establishment of PSG Konsult Treasury Limited, which centralises the management of the group's liquidity and solvency positions to ensure that capital is utilised appropriately to maximise shareholder returns.

Details of the group's exposure to risks arising from secured and unsecured borrowings are set out in note 34.

16. INVESTMENT CONTRACTS

	2019 R000	2018 R000
Balance at beginning of the year	**24 278 949**	22 560 598
Investment contract receipts	**3 707 539**	4 077 688
Investment contract benefits paid	**(2 871 905)**	(3 814 428)
Interest charge	**11 853**	15 836
Commission and administration expenses	**(255 569)**	(215 308)
Fair value adjustment to investment contract liabilities	**1 061 253**	1 654 563
Balance at end of the year	**25 932 120**	24 278 949
Current portion	**2 946 079**	4 328 997
Non-current portion	**22 986 041**	19 949 952
	25 932 120	24 278 949
Fair value through profit or loss	**25 873 713**	24 119 020
At amortised cost	**58 407**	159 929
	25 932 120	24 278 949
Investment contracts are represented by the following investments:		
Equity securities	**2 176 799**	2 192 586
Debt securities	**368 466**	483 551
Unit-linked investments	**23 362 722**	21 587 040
Investment in investment contracts	**16 048**	14 798
Cash and cash equivalents	**8 085**	974
	25 932 120	24 278 949

17. THIRD-PARTY LIABILITIES ARISING ON CONSOLIDATION OF MUTUAL FUNDS

	2019 R000	2018 R000
Balance at beginning of the year	**22 585 256**	19 690 982
Net capital contributions received or change in effective ownership	**3 101 153**	1 171 485
Fair value adjustment to third-party liabilities	**1 196 594**	1 722 789
Acquisition of subsidiaries (refer to note 32.4)	**2 468 208**	–
Disposal of subsidiaries (refer to note 32.5)	**(2 000 415)**	–
Balance at end of the year	**27 350 796**	22 585 256
Current portion	**27 350 796**	22 585 256
Non-current portion	**–**	–
	27 350 796	22 585 256

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.

18. TRADE AND OTHER PAYABLES

	2019 R000	2018 R000
Trade payables	**511 727**	505 754
Contracts for difference (i)	**21 400**	22 707
Deferred revenue	**18 130**	15 849
Purchase consideration payable (ii)	**91 655**	45 344
VAT payable	**27 010**	24 223
Unallocated premiums	**104 309**	83 040
Short-term claim creditors	**18 166**	16 738
Settlement control account (iii)	**1 243 599**	1 332 582
Amounts due to intermediaries	**22 034**	17 254
Amounts due to reinsurers	**70 853**	42 349
Amounts due to policyholders	**15 214**	6 331
Foreign reinsurers' reserve deposits	**9 427**	4 356
Total trade and other payables[1]	**2 153 524**	2 116 527
[1] *Includes non-financial liabilities of R288.9 million (2018: R274.1 million).*		
Current portion	**2 117 415**	2 105 257
Non-current portion	**36 109**	11 270
	2 153 524	2 116 527

(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.

19. DEFERRED ACQUISITION COSTS AND DEFERRED REINSURANCE ACQUISITION REVENUE

	2019 R000	2018 R000
Deferred acquisition costs		
Balance at beginning of the year	**4 820**	4 073
Movement for the year	**865**	747
Balance at end of the year	**5 685**	4 820
Deferred reinsurance acquisition revenue		
Balance at beginning of the year	**3 681**	3 731
Movement for the year	**1 223**	(50)
Balance at end of the year	**4 904**	3 681

20. REVENUE FROM CONTRACTS WITH CUSTOMERS AND OTHER OPERATING INCOME

	2019 R000	2018 R000
20.1 Commission and other fee income[3]		
Commission, policy administration and other fees[1]	**2 909 434**	2 511 272
Dealing and structuring	**330 230**	369 363
	3 239 664	2 880 635
20.2 Other operating income		
Profit on disposal of property and equipment	**302**	402
Profit on disposal of intangible assets	**74**	23
Income from related parties (refer to note 31)	**498**	849
Management fee rebates[2, 3]	**106 245**	93 162
JSE settlement cost recoveries[3]	**4 681**	5 748
Sundry income	**9 699**	10 491
	121 499	110 675

[1] *Includes management fees, performance fees and commission received from related-party offshore unit trusts and local unit trusts of R614.2 million (2018: R607.8 million). Refer to note 31.*

[2] *Management fee rebates accrue to the collective investment schemes which are consolidated under IFRS 10 – Consolidated financial statements.*

[3] *These amounts are included within revenue from contracts with customers in the consolidated income statement for the 2019 financial year.*

Refer to note 6 of the segment report for the disaggregation of revenue recognised in accordance with IFRS 15.

21. INVESTMENT INCOME

	2019 R000	2018 R000
Interest income[1]		
Interest income on amortised cost financial instruments		
Loans and advances	**20 805**	14 733
Receivables including insurance receivables	**10 592**	12 936
Contracts for difference – interest received on margin	**13 378**	14 956
Interest received from related parties (refer to note 31)	**340**	251
Cash and short-term funds (including money market funds)	**101 961**	151 404
Other	**620**	3 048
	147 696	197 328
Interest income on fair value through profit or loss financial instruments		
Equity securities	**1 694**	11 886
Debt securities[2]	**218 486**	240 797
Unit-linked investments	**969 806**	753 365
Cash and short-term funds (including money market funds)	**66 807**	–
	1 256 793	1 006 048
	1 404 489	1 203 376
Dividend income[1]		
Equity securities – at fair value through profit or loss	**13 008**	38 205
Debt securities – at fair value through profit or loss	**707**	–
Unit-linked investments – at fair value through profit or loss	**466 266**	385 271
	479 981	423 476
Total investment income	**1 884 470**	1 626 852

[1] *Includes interest received of R72.4 million (2018: R48.1 million) and dividends received of R105.8 million (2018: R72.7 million) from related-party local investment schemes. Refer to note 31.*

[2] *Includes interest received of R9.2 million (2018: R12.6 million) from the investments the consolidated collective investment schemes have in related party debt securities. Refer to note 31.*

R1.2 million interest income (2018: R2.0 million) was earned on impaired financial assets during the year.

22. NET FAIR VALUE GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

	2019 R000	2018 R000
Foreign exchange gains	**66 790**	422
Foreign exchange losses	**(4 999)**	(15 765)
Movement on financial assets measured at amortised cost	**11 853**	15 835
Fair value adjustment on contingent consideration	**214**	–
Net fair value gains on financial assets at fair value through profit or loss:		
Unrealised fair value gains	**7 839**	1 742 475
Realised fair value gains	**565 089**	310 826
	646 786	2 053 793

23. NET INSURANCE BENEFITS AND CLAIMS

	Gross R000	Reinsurance R000	Net R000
2019			
Short-term insurance contracts			
Claims paid	**800 971**	**(212 811)**	**588 160**
Movement in the expected cost of outstanding claims	**36 167**	**(22 535)**	**13 632**
Salvages	**(37 883)**	**13 594**	**(24 289)**
Individual life long-term insurance contracts – death, maturity, surrender, sick leave benefits and transfers to policyholder liabilities			
Insurance policy benefits paid	**2 701**	**–**	**2 701**
Movement to insurance policy liabilities	**1 790**	**–**	**1 790**
Total claims and loss adjustment expenses	**803 746**	**(221 752)**	**581 994**
2018			
Short-term insurance contracts			
Claims paid	835 264	(185 064)	650 200
Movement in the expected cost of outstanding claims	29 842	(12 612)	17 230
Salvages	(51 431)	10 308	(41 123)
Individual life long-term insurance contracts – death, maturity, surrender, sick leave benefits and transfers to policyholder liabilities			
Insurance policy benefits paid	2 611	–	2 611
Movement to insurance policy liabilities	143	–	143
Total claims and loss adjustment expenses	816 429	(187 368)	629 061

24. EXPENSES (EXCLUDING NET INSURANCE BENEFITS AND CLAIMS)

	2019 R000	Restated 2018 R000
24.1 Commission paid		
Commission paid to brokers and financial planners	**1 367 697**	1 199 447
24.2 Depreciation and amortisation		
Depreciation	**29 418**	24 145
Motor vehicles	**175**	107
Office equipment	**12 369**	10 290
Computer equipment	**16 874**	13 748
Amortisation of intangible assets	**52 381**	45 580
Customer relationships	**50 229**	43 633
Other	**2 152**	1 947
	81 799	69 725
24.3 Employee benefit expenses		
Salaries, wages, allowances and terminations	**802 051**	698 443
Social security costs (e.g. UIF, group life, SDL, medical benefits, national insurance)	**60 558**	51 136
Equity-settled share-based payment costs	**39 538**	36 079
Pension/provident costs – defined-contribution plans	**48 324**	40 010
	950 471	825 668
24.4 Marketing, administration and other expenses		
Operating lease rentals	**82 111**	71 606
Properties	**81 337**	70 082
Equipment and other	**774**	1 524
Auditor's remuneration	**15 585**	12 873
Audit services – current year	**13 676**	10 551
Audit services – prior year	**650**	750
Tax services	**1 010**	898
Other services	**249**	674
Management fees paid	**151 200**	152 093
Marketing expenses	**48 871**	48 654
Professional fees	**31 452**	24 747
Other administration expenses	**296 435**	261 778
JSE and STRATE expenses	**48 735**	46 103
Research and administration systems[1]	**53 838**	43 749
Information technology expenses[1]	**68 172**	54 870
Office expenses	**29 032**	24 301
Telephone expenses	**13 428**	12 451
Travel expenses	**23 260**	21 270
Other expenses[1]	**59 970**	59 034
Impairment/reversal of impairment of financial and insurance assets	**15 479**	–
Impairment of intangible assets	**834**	–
Loss on disposal of property and equipment	**58**	91
Loss on disposal of intangible assets	**1 758**	–
	643 783	571 842

[1] *Comparative figures have been restated to reflect updated interpretations of the items included within research and administration systems and information technology expenses.*

Refer to the report of the board of directors for detail of directors' remuneration on pages 123 and 124.

25. FINANCE COSTS

	2019 R000	2018 R000
Contracts for difference – interest paid on margin	**10 369**	12 161
Investment contract liabilities at amortised cost	**11 853**	15 837
Other borrowings	**12 075**	10 943
	34 297	38 941

26. TAXATION

	2019 R000	2018 R000
Current taxation		
Current year	**251 077**	272 796
Prior year	**(156)**	(8 002)
	250 921	264 794
Deferred taxation		
Current year	**13 547**	(16 258)
Prior year	**508**	(149)
	14 055	(16 407)
Foreign current taxation		
Current year	**6 451**	5 844
	6 451	5 844
Foreign deferred taxation		
Current year	**(2 248)**	1 990
	(2 248)	1 990
Total income statement charge	**269 179**	256 221

Reconciliation of effective rate of taxation	2019 %	2018 %
South African normal taxation rate	**28.0**	28.0
Adjusted for:		
Non-taxable income[1]	**(1.7)**	(0.5)
Capital gains tax differential in rates	**0.1**	–
Non-deductible charges[2]	**1.4**	1.4
Prior year overprovision	**–**	(0.9)
Deferred tax assets not recognised for tax losses	**1.1**	0.1
Foreign tax rate differential	**(0.7)**	0.4
Dividend withholding tax	**0.1**	0.1
Tax in policyholder funds	**1.3**	2.2
Tax deductible expenses not accounted for in income statement	**(0.1)**	(1.3)
Effective rate of taxation	**29.5**	29.5

[1] *Non-taxable income relates primarily to dividend income and unrealised fair value gains.*
[2] *Amortisation on customer relationships is the major contributor to the non-deductible charges.*

26. TAXATION (continued)

	2019 R000	2018 R000
Unutilised tax losses		
Gross calculated tax losses at the end of the year available for utilisation against future taxable income	**37 724**	37 987
Deferred income tax asset provided on	**(35 584)**	(36 412)
Available for future utilisation	**2 140**	1 575
The tax impact relating to components of other comprehensive income is as follows:		
Before tax		
Currency translation adjustments	**11 663**	(1 851)
Recycling adjustment on sale of foreign subsidiaries	**(139)**	–
After tax		
Currency translation adjustments	**11 663**	(1 851)
Recycling adjustment on sale of foreign subsidiaries	**(139)**	–
Other comprehensive income for the year, net of tax	**11 524**	(1 851)

The total deferred income tax, recognised in equity, relating to share-based payment transactions, was R3.8 million on 28 February 2019 (2018: R6.7 million).

27. EARNINGS PER SHARE

	2019 R000	2018 R000
The calculations of earnings per share is based on the following:		
Profit attributable to ordinary shareholders	**602 174**	566 476
Non-headline earnings (net of non-controlling interest and related tax effect):		
Loss on disposal of intangible assets (including goodwill)	**2 626**	148
Gross amount	**2 518**	(23)
Non-controlling interest	**757**	81
Tax effect	**(649)**	90
Profit on disposal of property and equipment	**(167)**	(228)
Gross amount	**(232)**	(311)
Non-controlling interest	**4**	–
Tax effect	**61**	83
Profit on sale of assets and liabilities held for sale	**(616)**	–
Gross amount	**(616)**	–
Non-controlling interest	**–**	–
Tax effect	**–**	–
Currency translation recycling in respect of foreign subsidiary sold and other	**(129)**	–
Gross amount	**(129)**	–
Non-controlling interest	**–**	–
Tax effect	**–**	–
Headline earnings	**603 888**	566 396

27. EARNINGS PER SHARE (continued)

The weighted average number of shares and diluted weighted average number of shares were calculated as follows:

	2019 Number of shares (thousands)	2018 Number of shares (thousands)
Number of shares at beginning of the year	**1 342 242**	1 322 100
Weighted number of shares issued during the year	**8 375**	16 145
Net movement in treasury shares	**(25 523)**	(20 602)
Weighted number of shares at end of the year	**1 325 094**	1 317 643
Number of bonus element shares to be issued in terms of share option scheme	**11 868**	12 627
Diluted weighted number of shares at end of the year	**1 336 962**	1 330 270

	2019 R000	2018 R000
Basic		
Profit attributable to ordinary shareholders	**602 174**	566 476
Headline earnings	**603 888**	566 396
Weighted average number of ordinary shares in issue (000)	**1 325 094**	1 317 643
Attributable earnings per share (cents)	**45.4**	43.0
Headline earnings per share (cents)	**45.6**	43.0
Net asset value per share (cents)	**223.6**	190.1
Tangible net asset value per share (cents)	**135.5**	112.1
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 11). 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	**602 174**	566 476
Headline earnings	**603 888**	566 396
Diluted weighted average number of ordinary shares in issue (000)	**1 336 962**	1 330 270
Diluted attributable earnings per share (cents)	**45.0**	42.6
Diluted headline earnings per share (cents)	**45.2**	42.6

28. DIVIDEND PER SHARE

	2019 R000	2018 R000
Normal dividend	**255 821**	209 084

Interim
7.0 cents per share (2018: 5.7 cents per share)

Final
13.5 cents per share (2018: 12.3 cents per share)

Dividends are not accounted for until they have been approved by the company's board of directors.

29. CAPITAL COMMITMENTS AND CONTINGENCIES

Other than operating lease commitments (disclosed below), the group had the following capital commitments and contingencies as at 28 February 2019:

- PSG Konsult Treasury Limited, a wholly owned subsidiary, established a DMTN programme during the 2018 financial year. PSG Konsult Limited provided an irrevocable, unconditional guarantee for all the obligations and liabilities of PSG Konsult Treasury Limited to and in favour of the noteholders of the notes issued. The balance of the amount owing as at 28 February 2019 is R101.2 million (2018: R101.2 million).
- PSG Scriptfin Proprietary Limited, a wholly owned subsidiary, has a recourse facility from Investec Bank Limited with a balance of Rnil as at 28 February 2019 (2018: Rnil) and PSG Konsult Limited provided an irrevocable, unconditional guarantee for all the obligations and liabilities of PSG Scriptfin Proprietary Limited, under this facility, to Investec Bank Limited, limited to R150.0 million.
- PSG Konsult Limited has also 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.

	2019 R000	2018 R000
Operating lease commitments		
Future minimum lease commitments in terms of operating leases of premises:		
Due within 1 year	**59 442**	55 111
Due within 1 to 5 years	**151 491**	86 726
Due after 5 years	**25 794**	1 138
	236 727	142 975

The group leases a number of premises under non-cancellable operating lease agreements. The ordinary lease terms are between two and six years, with the majority of the lease agreements being renewable at the end of the lease term at market-related rentals. The annual lease escalations range from 5% to 10% (2018: 5% to 10%).

A summary of the lease agreements containing the escalation clauses, renewal options and restrictions imposed by the lease agreements is available for inspection at the company's registered office.

30. BORROWING POWERS

In terms of the company's MOI, borrowing powers are unlimited. Details of actual borrowings of the group are disclosed in note 15 to the group financial statements.

31. 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	2019 R000	2018 R000
Receivables including insurance receivables		
Due from companies in the PSG Group		
PSG Corporate Services Proprietary Limited	–	68
Due from companies in the PSG Konsult Limited Group		
PSG Konsult Employee Trust	–	20
Jan Jonker Property Investment Trust	**5 325**	4 516
Due from PSG unit trusts		
Local unit trusts	**57 209**	55 752
Offshore unit trusts	**13 119**	9 987
	75 653	70 343
Refer to note 9 for the detail of the receivables due from related parties.		
Trade and other payables		
Due to PSG unit trusts		
Local unit trusts	**5 683**	5 312
Offshore unit trusts	**3 186**	2 284
	8 869	7 596
Debt securities		
Investments in the debt securities of companies in the PSG Group		
Capitec Bank Limited	**143 931**	147 706
Unit-linked investments		
Investments in PSG unit trusts		
Unit trusts	**19 899 536**	17 434 473
Cash and cash equivalents		
Investments in PSG unit trusts		
PSG Money Market Fund[1]	–	851 149

[1] *The group has cash invested in the PSG Money Market Fund of R1.2 billion as at 28 February 2019, however as the fund was consolidated as at 28 February 2019 this investment was derecognised and all of the fund's underlying assets and liabilities were recognised.*

Related-party transactions	2019 R000	2018 R000
Commission and other fee income		
Received from companies in the PSG Group		
PSG Corporate Services Proprietary Limited	–	118
Received from PSG unit trusts		
Local unit trusts	**479 196**	474 313
Offshore unit trusts	**134 980**	133 439
	614 176	607 870

31. RELATED-PARTY TRANSACTIONS (continued)

Related-party transactions	2019 R000	2018 R000
Interest income		
Received from companies in the PSG Konsult Limited Group		
Jan Jonker Property Investment Trust	**340**	251
Received from companies in the PSG Group		
Capitec Bank Limited	**9 232**	12 584
Received from PSG unit trusts		
Local unit trusts (including money market funds)	**72 394**	48 140
	81 966	60 975
Dividend income		
Received from PSG unit trusts		
Local unit trusts	**105 808**	72 702
Other operating income		
Received from companies in the PSG Group		
PSG Corporate Services Proprietary Limited	**250**	619
Capitec Bank Holdings Limited Group	**248**	230
	498	849
Commission paid		
Paid to companies in the PSG Group		
PSG Corporate Services Proprietary Limited	**200**	250
Marketing, administration and other expenses		
Paid to companies in the PSG Group		
PSG Corporate Services Proprietary Limited	**–**	30
PSG Capital Proprietary Limited	**1 278**	401
Grayston Elliot Proprietary Limited	**180**	114
Paid to PSG unit trusts		
Local unit trusts	**63 572**	57 631
Offshore unit trusts	**37 953**	30 013
	102 983	88 189

The shareholding of directors and the directors' remuneration are set out in the report of the board of directors.

Key management

Key management refers to those persons having 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 123 and 124.

During the 2013 financial year, preference share funding of R61.3 million was advanced to a related-party of Mr FJ Gouws, chief executive officer 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). The preference share funding is repayable after seven 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.

During the current 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 2019 the loan value was R2.9 million (2018: Rnil), with an effective interest rate of 10.3%.

32. NOTES TO THE STATEMENT OF CASH FLOWS

	2019 R000	2018 R000
32.1 Cash utilised in operations		
Profit before finance costs and taxation	**946 020**	907 813
Adjustment for non-cash items and other:		
Depreciation of property and equipment	**29 418**	24 145
Impairment charges	**6 265**	2 248
Amortisation of intangible assets	**52 381**	45 580
Interest income	**(1 404 489)**	(1 203 376)
Dividend income	**(479 981)**	(423 476)
Share of (profits)/losses of joint ventures	**(431)**	84
Profit on disposal of property and equipment	**(302)**	(402)
Profit on disposal of intangible assets	**(74)**	(23)
Loss on disposal of intangible assets	**1 758**	–
Loss on disposal of property and equipment	**58**	91
Net fair value gains on financial instruments	**(584 995)**	(2 069 137)
Fair value adjustment to investment contract liabilities	**1 061 253**	1 654 563
Fair value adjustment to third-party liabilities	**1 196 594**	1 722 789
Equity-settled share-based payment costs	**39 538**	36 079
Net foreign exchange (gains)/losses	**(61 791)**	7 225
	801 222	704 203
Changes in working capital		
Receivables including insurance receivables	**8 386**	(375 358)
Reinsurance assets	**(23 214)**	(8 578)
Deferred acquisition costs	**(865)**	(747)
Deferred reinsurance acquisition revenue	**1 223**	(50)
Loans and advances	**14 941**	(1 066)
Trade and other payables	**(3 150)**	281 609
Other financial instruments	**(4 924 605)**	(2 225 571)
Third-party liabilities arising on consolidation of mutual funds	**3 101 151**	1 171 485
Borrowings	**9 362**	(31 802)
Insurance contracts	**(623)**	(1 526)
	(1 016 172)	(487 401)
32.2 Taxation paid		
Charge to profit or loss	**(269 179)**	(256 221)
Movement in deferred taxation	**11 807**	(14 417)
Charge to other reserves	**20 830**	16 376
Reclassification to assets and liabilities held for sale	**156**	–
Movement in net taxation asset/liability	**13 995**	(22 598)
	(222 391)	(276 860)

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

32.3 Reconciliation of movement in liabilities to the statement of cash flows

	Bank loans R000	DMTN programme R000	Other short-term loans R000	Total R000
Carrying value at 1 March 2018	–	101 228	2 467	103 695
Cash flows – advance of borrowings	12 182	–	–	12 182
Cash flows – repayment of borrowings[1]	(3 401)	(9 188)	(742)	(13 331)
Other non-cash movements	581	9 187	–	9 768
Carrying value at 28 February 2019	9 362	101 227	1 725	112 314
Cash flows relating to financing activities	–	–	(742)	(742)
Cash flows relating to operating activities	8 781	(9 188)	–	(407)
	8 781	(9 188)	(742)	(1 149)

[1] *Includes both the capital repaid as well as the interest payments.*

32.4 Acquisition of subsidiaries

For the year ended 28 February 2019

i) AIFA brokerage businesses

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

Details of the net assets and goodwill acquired are as follows:	Commercial and industrial R000	Personal lines R000
Cash consideration paid	32 766	18 526
Cash due on effective dates	32 765	18 526
Total purchase consideration	65 531	37 052
Less: Fair value of net assets acquired	(42 597)	(25 338)
Goodwill recognised on acquisition	22 934	11 714
The remaining purchase consideration for these transactions will be paid in two 25% tranches over the next two years.		
Cash consideration paid	(32 766)	(18 526)
Cash and cash equivalents acquired	–	–
Net cash outflow in the 2019 financial year	(32 766)	(18 526)

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

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

The income, included in the consolidated income statement, contributed by the AIFA brokerage businesses was R124.2 million for the 2019 financial year. These businesses also contributed a profit after taxation of R14.8 million over the same period.

Had the AIFA brokerage businesses been consolidated from 1 March 2018, the consolidated income statement would have shown additional income of R92.2 million and profit after taxation of R11.7 million for the 2019 financial year.

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

32.4 Acquisition of subsidiaries (continued)

ii) Acquisition of collective investment schemes

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

Fund consolidated	PSG Wealth Global Preserver Feeder Fund	PSG Money Market Fund
% interest in fund on effective date	31	49
Date of acquisition	31 August 2018	28 February 2019

Details of the net assets acquired are as follows:	2019 R000	2019 R000
Debt securities	–	3 391 088
Unit-linked investments	992 065	–
Receivables including insurance receivables	553	759
Cash and cash equivalents (including money market funds)	9 542	61 821
Third-party liabilities arising on consolidation of mutual funds	(689 002)	(1 779 206)
Trade and other payables	(382)	(1 245)
Net asset value	312 776	1 673 217
Fair value of interest held before the business combination	(312 776)	(1 673 217)
Total consideration paid	–	–
Cash consideration paid	–	–
Cash and cash equivalents derecognised	–	(1 245 625)
Cash and cash equivalents acquired	9 542	61 821
Net cash inflow/(outflow) in the 2019 financial year	9 542	(1 183 804)

The detail of the net assets acquired, as disclosed above, represent fair value. All the gross contractual receivables are expected to be collected.

The total income and profit or loss that were included in the consolidated income statement during the 2019 financial year, as a result of consolidating the PSG Wealth Global Preserver Feeder Fund, was R2.1 million and Rnil respectively. Had this fund been consolidated from 1 March 2018, additional income of R1.3 million and profit of Rnil would have been recognised in the consolidated income statement.

Had the PSG Money Market Fund been consolidated from 1 March 2018, additional income of R15.8 million and profit of Rnil would have been recognised in the consolidated income statement.

Summary of cash flows for the year ended 28 February 2019	2019 R000
i) AIFA brokerage businesses	(51 292)
ii) Acquisition of collective investment schemes	
– PSG Wealth Global Preserver Feeder Fund	9 542
– PSG Money Market Fund	(1 183 804)
iii) Other business combinations	(750)
Net cash flow from acquisition of subsidiaries	(1 226 304)

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

32.5 Disposal of subsidiaries

i) Disposal of collective investment schemes

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

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

Summary of cash flows for the year ending 28 February 2019	2019 R000
i) Disposal of collective investment schemes	
– PSG Multi-Management Foreign Flexible Fund of Funds	(17 182)
– PSG Wealth Income Fund of Funds	(14 918)
Net cash flow from disposal of subsidiaries	(32 100)

32.6 Transactions with non-controlling interest

For the year ended 28 February 2019

Western Group Holdings Limited concluded an agreement with Santam, effective 1 November 2018. The result of this transaction was as follows:

- Western Group Holdings Limited repurchased its shares held by Santam.
- Santam acquired a 40% interest directly in Western National Insurance (RSA) Proprietary Limited.

The consideration was paid in full during the 2019 financial year.

32.7 Assets and liabilities held for sale

For the year ended 28 February 2019

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

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

32.8 Other acquisitions – standardising of revenue sharing model

For the year ended 28 February 2019

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

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

32.8 Other acquisitions – standardising of revenue sharing model (continued)

For the year ended 28 February 2019 (continued)

A total cash consideration of R38.9 million was paid on the effective dates. These transactions did not qualify for accounting in terms of IFRS 3 – Business combinations, as the assets acquired (the right to an increased share in the income stream of the adviser) did not constitute a business acquired.

These transactions contributed R3.3 million to headline earnings during the 2019 financial year, net of amortisation cost of R1.5 million.

For the year ended 28 February 2018

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

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

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

As at 28 February 2019, there is no indication that any of the advisers, with whom these transactions were concluded, will not achieve the profit guarantee attached to the asset-for-share transactions. The fair value of the contingent consideration receivable is therefore Rnil on 28 February 2019.

	2019 R000	2018 R000
32.9 Cash and equivalents at end of the year		
Cash and cash equivalents (including money market funds)	**945 442**	1 920 626

33. 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.

34. 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, as set out in the risk report on page 101. 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 RISK MANAGEMENT

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.

34. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

Assets	2019 Own balances R000	2019 Client-related balances R000	2019 Total R000	2018 Own balances R000	2018 Client-related balances R000	2018 Total R000
Financial instruments carried at fair value through profit or loss						
Equity securities	**16 444**	**2 336 943**	**2 353 387**	17 279	2 304 203	2 321 482
Quoted	**16 204**	**2 336 943**	**2 353 147**	17 039	2 304 203	2 321 242
Unquoted	**240**	**–**	**240**	240	–	240
Debt securities	**44 066**	**2 760 369**	**2 804 435**	50 974	2 371 912	2 422 886
Government debt securities – quoted	**18 049**	**414 391**	**432 440**	20 406	464 085	484 491
Other debt securities – quoted	**26 017**	**2 345 978**	**2 371 995**	30 568	1 907 827	1 938 395
Unit-linked investments	**769 414**	**45 718 666**	**46 488 080**	629 630	41 566 460	42 196 090
Collective investment schemes	**749 684**	**45 283 537**	**46 033 221**	610 639	40 868 314	41 478 953
Other unit-linked investments	**19 730**	**435 129**	**454 859**	18 991	698 146	717 137
Investment in investment contracts	**–**	**16 048**	**16 048**	–	14 798	14 798
Derivative financial instruments	**–**	**10 592**	**10 592**	–	8 854	8 854
Cash and cash equivalents[1, 2]	**1 202 774**	**(1 202 774)**	**–**	–	–	–
Designated						
Debt securities	**–**	**3 391 088**	**3 391 088**	–	–	–
Government debt securities – quoted	**–**	**727 348**	**727 348**	–	–	–
Other debt securities – quoted	**–**	**2 663 740**	**2 663 740**	–	–	–
Financial instruments carried at amortised cost						
Debt securities	**8 141**	**58 407**	**66 548**	–	159 929	159 929
Other debt securities – unquoted	**8 141**	**58 407**	**66 548**	–	159 929	159 929
Loans and advances[1]	**128 995**	**–**	**128 995**	134 202	–	134 202
Secured	**87 167**	**–**	**87 167**	78 493	–	78 493
Unsecured	**41 828**	**–**	**41 828**	55 709	–	55 709
Receivables excluding insurance receivables[1]	**230 776**	**1 320 954**	**1 551 730**	190 034	1 594 284	1 784 318
Trade receivables	**146 973**	**22 945**	**169 918**	112 507	199 034	311 541
Brokers and clearing houses and client accounts	**–**	**1 277 978**	**1 277 978**	–	1 372 631	1 372 631
Contracts for difference	**–**	**20 031**	**20 031**	–	22 619	22 619
Receivables due from related parties	**75 653**	**–**	**75 653**	70 343	–	70 343
Rental and other deposits and sundry debtors	**8 150**	**–**	**8 150**	7 184	–	7 184
Cash and cash equivalents[1]	**646 066**	**299 376**	**945 442**	1 565 893	354 733	1 920 626
Insurance assets						
Reinsurance assets[1]	**103 758**	**–**	**103 758**	80 544	–	80 544
Deferred acquisition costs[1]	**5 685**	**–**	**5 685**	4 820	–	4 820
Insurance receivables[1]	**111 037**	**–**	**111 037**	87 057	–	87 057
Receivables due from contract holders and reinsurers	**111 037**	**–**	**111 037**	87 057	–	87 057
Total financial and insurance assets	**3 267 156**	**54 709 669**	**57 976 825**	2 760 433	48 375 173	51 135 606

34. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

Liabilities	2019 Own balances R000	2019 Client-related balances R000	2019 Total R000	2018 Own balances R000	2018 Client-related balances R000	2018 Total R000
Financial liabilities carried at fair value through profit or loss						
Derivative financial instruments	–	13 973	13 973	–	16 857	16 857
Trade and other payables	91 655	–	91 655	45 344	–	45 344
Purchase consideration payable	91 655	–	91 655	45 344	–	45 344
Designated						
Investment contracts	–	25 873 713	25 873 713	–	24 119 020	24 119 020
Third-party liabilities arising on consolidation of mutual funds	–	27 350 796	27 350 796	–	22 585 256	22 585 256
Financial liabilities carried at amortised cost						
Borrowings[1]	1 725	110 589	112 314	2 467	101 228	103 695
Secured	–	110 589	110 589	–	101 228	101 228
Unsecured	1 725	–	1 725	2 467	–	2 467
Investment contracts	–	58 407	58 407	–	159 929	159 929
Trade and other payables[1]	377 860	1 302 191	1 680 051	344 565	1 392 883	1 737 448
Trade payables, settlement control account and other payables	377 860	1 280 791	1 658 651	344 565	1 370 176	1 714 741
Contracts for difference	–	21 400	21 400	–	22 707	22 707
Insurance liabilities						
Insurance contracts	542 086	–	542 086	542 709	–	542 709
Deferred reinsurance acquisition revenue[1]	4 904	–	4 904	3 681	–	3 681
Trade and other payables[1]	92 887	–	92 887	59 603	–	59 603
Amounts due to intermediaries	22 034	–	22 034	17 254	–	17 254
Amounts due to reinsurers	70 853	–	70 853	42 349	–	42 349
Total financial and insurance liabilities	1 111 117	54 709 669	55 820 786	998 369	48 375 173	49 373 542

[1] *Carrying value approximates fair value.*

[2] *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.*

34. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

The group's activities expose it to a variety of financial risks: market risk (including price risk, currency 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 16.
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 balance sheet impact as part of that of the group.
CFD clients	The group enters into contracts for difference (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.

34. 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	2019 R000	2018 R000
Assets		
Price risk	**48 841 467**	44 517 572
Equity securities	**2 353 387**	2 321 482
Unit-linked investments	**46 488 080**	42 196 090
Foreign exchange risk	**10 039 262**	7 977 163
Equity securities	**767 105**	634 727
Unit-linked investments	**9 104 858**	7 016 542
Loans and advances	**1 138**	1 450
Reinsurance assets	**7 388**	95
Receivables including insurance receivables	**31 264**	216 161
Cash and cash equivalents	**127 509**	108 188
Interest rate risk	**55 487 355**	48 705 108
Debt securities	**6 262 071**	2 582 815
Unit-linked investments	**46 488 080**	42 196 090
Loans and advances	**128 995**	134 202
Receivables including insurance receivables	**1 662 767**	1 871 375
Cash and cash equivalents	**945 442**	1 920 626
Liabilities		
Price risk	**(47 620 480)**	(43 172 517)
Investment contracts	**(25 104 392)**	(23 081 480)
Third-party liabilities arising on consolidation of mutual funds	**(22 516 088)**	(20 091 037)
Foreign exchange risk	**(9 907 617)**	(7 900 585)
Borrowings	**(959)**	(1 478)
Insurance contracts	**(12 707)**	–
Investment contracts	**(3 751 245)**	(2 927 267)
Third-party liabilities arising on consolidation of mutual funds	**(6 132 701)**	(4 969 382)
Trade and other payables	**(10 005)**	(2 458)
Interest rate risk	**(52 906 832)**	(46 491 294)
Borrowings	**(112 314)**	(103 695)
Investment contracts	**(23 739 273)**	(22 071 565)
Third-party liabilities arising on consolidation of mutual funds	**(27 190 652)**	(22 473 639)
Trade and other payables	**(1 864 593)**	(1 842 395)

Risk management

Refer to page 103 for the mitigating controls put in place as part of the risk management framework to address market risk.

34. 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:

	Investments linked to investment contracts		Direct investments – consolidated collective investment schemes		Direct investments – own balances	
Composition of quoted equity securities	**2019 R000**	**2018 R000**	**2019 R000**	**2018 R000**	**2019 R000**	**2018 R000**
Agriculture, travel and leisure and other sectors	**39 874**	18 946	**12 980**	14 917	**1 113**	1 325
Banks, financial services and insurance	**771 572**	813 786	**77 721**	52 750	**7 061**	7 491
Healthcare	**95 923**	85 097	**–**	–	**686**	914
Industrial, retail, food and beverage and personal and household goods	**528 148**	543 011	**37 188**	26 310	**4 092**	3 770
Property, construction and materials	**259 373**	257 690	**19 513**	9	**950**	998
Resources, chemicals and oil and gas	**205 282**	209 394	**11 340**	6 269	**572**	625
Technology, media and telecommunications	**276 627**	264 662	**1 402**	11 362	**1 730**	1 916
	2 176 799	2 192 586	**160 144**	111 617	**16 204**	17 039

Included in the group's quoted equity securities are those equity securities relating to:

- investments linked to investment contracts amounting to R2 176.8 million (2018: R2 192.6 million); and
- equity securities relating to the consolidated collective investment schemes amounting to R160.1 million (2018: R111.6 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.

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:

	Investments linked to investment contracts		Direct investments – consolidated collective investment schemes		Direct investments – own balances	
Composition of quoted unit-linked investments	**2019 R000**	**2018 R000**	**2019 R000**	**2018 R000**	**2019 R000**	**2018 R000**
Equity	**5 189 067**	4 233 664	**8 108 720**	6 274 888	**6 801**	3 552
Multi-asset	**15 691 613**	14 701 904	**13 347 588**	12 767 049	**633 320**	511 063
Real estate	**226 055**	277 221	**–**	–	**–**	–
Interest bearing	**1 820 858**	1 676 105	**899 636**	937 483	**109 563**	96 024
	22 927 593	20 888 894	**22 355 944**	19 979 420	**749 684**	610 639

Included in the group's quoted unit-linked investments are those unit-linked investments relating to:

- investments linked to investment contracts amounting to R22.9 billion (2018: R20.9 billion); and
- unit-linked investments relating to the consolidated collective investment schemes amounting to R22.4 billion (2018: R20.0 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.

34. 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% (2018: 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.

	2019 20% increase R000	2018 20% increase R000	2019 20% decrease R000	2018 20% decrease R000
Impact on post-tax profit:				
Equity securities	**3 465**	3 173	**(3 465)**	(3 173)
Unit-linked investments	**28 201**	21 431	**(28 201)**	(21 431)
	31 666	24 604	**(31 666)**	(24 604)

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.

Almost all of the group's subsidiaries have the South African rand as their functional currency. 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 2019	British pound sterling R000	United States dollar R000	Euro R000	Other currencies R000	Total R000
Financial assets					
Equity securities[1]	**30 135**	**583 133**	**84 424**	**69 413**	**767 105**
Unit-linked investments[1]	**–**	**9 104 858**	**–**	**–**	**9 104 858**
Loans and advances	**959**	**–**	**–**	**179**	**1 138**
Reinsurance assets	**–**	**–**	**–**	**7 388**	**7 388**
Receivables including insurance receivables	**2 123**	**21 797**	**702**	**6 642**	**31 264**
Cash and cash equivalents	**9 426**	**76 452**	**605**	**41 026**	**127 509**
Financial liabilities					
Trade and other payables	**(130)**	**(3 537)**	**(440)**	**(5 898)**	**(10 005)**
Investment contracts	**(23 612)**	**(3 596 867)**	**(84 028)**	**(46 738)**	**(3 751 245)**
Third-party liabilities arising on consolidation of mutual funds	**(10 611)**	**(6 098 094)**	**(6)**	**(23 990)**	**(6 132 701)**
Insurance contracts	**–**	**–**	**–**	**(12 707)**	**(12 707)**
Borrowings	**(959)**	**–**	**–**	**–**	**(959)**
	7 331	**87 742**	**1 257**	**35 315**	**131 645**

[1] *Largely linked to policyholder and consolidated collective investment scheme investments and as such do not directly expose the group to foreign currency risk.*

34. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Foreign exchange risk (continued)

At 28 February 2018	British pound sterling R000	United States dollar R000	Euro R000	Other currencies R000	Total R000
Financial assets					
Equity securities[1]	29 848	502 017	55 739	47 123	634 727
Unit-linked investments[1]	–	7 016 526	16	–	7 016 542
Loans and advances	1 053	–	–	397	1 450
Reinsurance assets	–	–	–	95	95
Receivables including insurance receivables	2 269	203 629	1 202	9 061	216 161
Cash and cash equivalents	9 812	92 125	583	5 668	108 188
Financial liabilities					
Trade and other payables	(101)	–	–	(2 357)	(2 458)
Investment contracts	(24 771)	(2 815 329)	(55 333)	(31 834)	(2 927 267)
Third-party liabilities arising on consolidation of mutual funds	(10 235)	(4 941 349)	(5)	(17 793)	(4 969 382)
Borrowings	(1 053)	–	–	(425)	(1 478)
	6 822	57 619	2 202	9 935	76 578

[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% (2018: 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.

	2019 20% appreciation R000	2018 20% appreciation R000	2019 20% depreciation R000	2018 20% depreciation R000
Impact on post-tax profit	**(19 838)**	(12 166)	**19 838**	12 166

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, borrowings and trade and other payables. Borrowings and investments issued at variable rates expose the group to cash flow interest rate risk. Borrowings and 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.

34. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

Market risk (continued)

Cash flow and fair value interest rate risk (continued)

	2019 Floating rate R000	2019 Fixed interest and non-interest bearing R000	2019 Carrying value R000	2018 Floating rate R000	2018 Fixed interest and non-interest bearing R000	2018 Carrying value R000
Debt securities[1]	**1 758 139**	**4 503 932**	**6 262 071**	1 047 065	1 535 750	2 582 815
Unit-linked investments[2]	**93 312**	**46 394 768**	**46 488 080**	100 263	42 095 827	42 196 090
Loans and advances	**100 158**	**28 837**	**128 995**	94 347	39 855	134 202
Receivables including insurance receivables[3]	**139 104**	**1 523 663**	**1 662 767**	141 284	1 730 091	1 871 375
Cash and cash equivalents	**825 761**	**119 681**	**945 442**	1 738 870	181 756	1 920 626
Borrowings	**(110 589)**	**(1 725)**	**(112 314)**	(101 228)	(2 467)	(103 695)
Investment contracts	**(8 085)**	**(23 731 188)**	**(23 739 273)**	(974)	(22 070 591)	(22 071 565)
Third-party liabilities arising on consolidation of mutual funds	**(472 390)**	**(26 718 262)**	**(27 190 652)**	(1 050 774)	(21 422 865)	(22 473 639)
Trade and other payables	**(21 400)**	**(1 843 193)**	**(1 864 593)**	(22 707)	(1 819 688)	(1 842 395)
	2 304 010	**276 513**	**2 580 523**	1 946 146	267 668	2 213 814

[1] *Debt securities of R368.5 million (2018: R483.6 million) are linked to policyholder investments, and R5.8 billion (2018: R2.0 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 R23.4 billion (2018: R21.6 billion) are linked to policyholder investments, and R22.4 billion (2018: R20.0 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 R22.9 million (2018: R199.0 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% (2018: 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.

	2019 1% increase R000	2018 1% increase R000	2019 1% decrease R000	2018 1% decrease R000
Impact on post-tax profit	**16 589**	14 012	**(16 589)**	(14 012)

34. 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:

	2019		2018	
	Balance R000	Collateral fair value R000	Balance R000	Collateral fair value R000
Debt securities	**6 262 071**	**–**	2 582 815	–
Government debt securities – quoted	**1 159 788**	**–**	484 491	–
Other debt securities – quoted	**5 035 735**	**–**	1 938 395	–
Other debt securities – unquoted	**66 548**	**–**	159 929	–
Investment in investment contracts	**16 048**	**–**	14 798	–
Loans and advances	**128 995**	**2 790**	134 202	13 143
Secured	**87 167**	**2 790**	78 493	13 143
Unsecured	**41 828**	**–**	55 709	–
Unit-linked investments	**46 488 080**	**–**	42 196 090	–
Collective investment schemes	**46 033 221**	**–**	41 478 953	–
Other unit-linked investments	**454 859**	**–**	717 137	–
Derivative financial instruments	**10 592**	**–**	8 854	–
Reinsurance assets	**103 758**	**9 427**	80 544	4 356
Receivables including insurance receivables	**1 662 767**	**113 748**	1 871 375	114 061
Trade receivables	**169 918**	**–**	311 541	–
Receivables due from contract holders and reinsurers	**111 037**	**–**	87 057	–
Brokers and clearing houses and client accounts	**1 277 978**	**113 748**	1 372 631	114 061
Contracts for difference	**20 031**	**–**	22 619	–
Receivables due from related parties	**75 653**	**–**	70 343	–
Rental and other deposits and sundry debtors	**8 150**	**–**	7 184	–
Cash and cash equivalents	**945 442**	**–**	1 920 626	–
	55 617 753	**125 965**	48 809 304	131 560

The credit exposure is attributable to:	2019 R000	2018 R000
Own balances	**3 245 027**	2 738 334
Client-related balances	**52 372 726**	46 070 970
	55 617 753	48 809 304

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 R368.5 million (2018: R483.6 million), investment in investment contracts of R16.0 million (2018: R14.8 million), unit-linked investments of R23.4 billion (2018: R21.6 billion) and cash and cash equivalents of R8.1 million (2018: R1.0 million) are linked to investment contracts and thus credit risk is carried by the policyholders of the linked investment contracts.

34. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

At year-end, R5.8 billion (2018: R2.0 billion) of the debt securities, R22.4 billion (2018: R20.0 billion) of the unit-linked investments and R22.9 million (2018: R199.0 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.

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 they deem 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 Holdings Limited is primarily invested in cash or other highly liquid unit trust investments. All items that expose PSG Life Limited and Western Group Holdings Limited 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 102 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. Refer to note 6 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 2019 is R113.7 million (2018: R114.1 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, that are not past due, 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 Global Credit Rating).

	2019 R000	2018 R000
Government stock	**1 159 788**	484 491
Aaa	**22 249**	22 670
Aa1	**19 148**	–
Aa2	**–**	35 778
Aa3	**2 318**	–
P1	**5 632 731**	2 649 439
P2	**–**	733
Other rated assets	**456 606**	511 890
Non-rated assets	**1 836 833**	2 055 922
Unit-linked investments (including CIS)	**46 488 080**	43 048 381
	55 617 753	48 809 304

The credit risk associated with 46.3% (2018: 44.9%) of non-rated assets and unit-linked investments (including CIS) is assessed by reference to the investment mandates of linked policyholder investments which specify what type of underlying investments can be purchased.

34. 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:

	External credit rating				
2019	**Government stock[2] R000**	**Aaa R000**	**Aa1 R000**	**Aa2 R000**	**Aa3 R000**
Debt securities	**1 159 788**	**21 492**	**19 148**	**–**	**–**
Government[2]	**1 159 788**	**–**	**–**	**–**	**–**
Bank	**–**	**1**	**–**	**–**	**–**
Other	**–**	**21 491**	**19 148**	**–**	**–**
Investment in investment contracts	**–**	**–**	**–**	**–**	**–**
Loans and advances	**–**	**–**	**–**	**–**	**–**
Secured	**–**	**–**	**–**	**–**	**–**
Unsecured	**–**	**–**	**–**	**–**	**–**
Derivative financial instruments	**–**	**–**	**–**	**–**	**–**
Reinsurance assets	**–**	**–**	**–**	**–**	**–**
Receivables including insurance receivables	**–**	**757**	**–**	**–**	**2 318**
Trade receivables	**–**	**757**	**–**	**–**	**2 318**
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	**–**	**–**	**–**	**–**	**–**
	1 159 788	**22 249**	**19 148**	**–**	**2 318**

[1] *Refer to pages 200 and 201 for further detail on the 'Other rated' and 'Non-rated' assets.*

[2] *The government debt securities relate to instruments issued by the RSA government, which has a Moody's short-term rating of P3.*

External credit rating					
P1 R000	P2 R000	Unit-linked (incl CIS) R000	Other rated assets[1] R000	Non-rated assets[1] R000	Total R000
4 756 499	–	–	279 121	26 023	6 262 071
–	–	–	–	–	1 159 788
4 730 898	–	–	224 036	–	4 954 935
25 601	–	–	55 085	26 023	147 348
–	–	–	–	16 048	16 048
–	–	–	–	128 995	128 995
–	–	–	–	87 167	87 167
–	–	–	–	41 828	41 828
–	–	–	–	10 592	10 592
–	–	–	101 432	2 326	103 758
–	–	–	35 372	1 624 320	1 662 767
	–	–	3 650	163 193	169 918
–	–	–	31 722	79 315	111 037
–	–	–	–	1 277 978	1 277 978
–	–	–	–	20 031	20 031
–	–	–	–	75 653	75 653
–	–	–	–	8 150	8 150
–	–	46 488 080	–	–	46 488 080
–	–	46 033 221	–	–	46 033 221
–	–	454 859	–	–	454 859
876 232	–	–	40 681	28 529	945 442
5 632 731	–	46 488 080	456 606	1 836 833	55 617 753

34. 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:

	External credit rating				
2018	**Government stock[2] R000**	**Aaa R000**	**Aa1 R000**	**Aa2 R000**	**Aa3 R000**
Debt securities	484 491	22 670	–	35 778	–
Government[2]	484 491	–	–	–	–
Bank	–	–	–	22 183	–
Other	–	22 670	–	13 595	–
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	–	–	–	–	–
	484 491	22 670	–	35 778	–

[1] *Refer to pages 200 and 201 for further detail on the 'Other rated' and 'Non-rated' assets*

[2] *The government debt securities relate to instruments issued by the RSA government, which has a Moody's short-term rating of P3.*

External credit rating					
P1 R000	P2 R000	Unit-linked (incl CIS) R000	Other rated assets[1] R000	Non-rated assets[1] R000	Total R000
1 622 983	–	–	387 273	29 620	2 582 815
–	–	–	–	–	484 491
1 564 652	–	–	322 338	–	1 909 173
58 331	–	–	64 935	29 620	189 151
–	–	–	–	14 798	14 798
–	–	–	–	134 202	134 202
–	–	–	–	78 493	78 493
–	–	–	–	55 709	55 709
–	–	–	–	8 854	8 854
–	–	–	77 572	2 972	80 544
–	–	–	22 555	1 848 820	1 871 375
–	–	–	4 451	307 090	311 541
–	–	–	18 104	68 953	87 057
–	–	–	–	1 372 631	1 372 631
–	–	–	–	22 619	22 619
–	–	–	–	70 343	70 343
–	–	–	–	7 184	7 184
–	–	42 196 090	–	–	42 196 090
–	–	41 478 953	–	–	41 478 953
–	–	717 137	–	–	717 137
1 026 456	733	852 291	24 490	16 656	1 920 626
2 649 439	733	43 048 381	511 890	2 055 922	48 809 304

34. 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	2019 R000	2018 R000
Receivables including insurance receivables	Fitch	AA+(zaf) to A+(zaf)	**979**	766
Receivables including insurance receivables	S&P	AAA(za) to A-(za)	**31 825**	18 887
Debt securities	Fitch	AA+(zaf) to A(zaf)	**1 017**	52 629
Debt securities	S&P	A1(za) to B(za)	**224 028**	147 707
Cash and cash equivalents (including money market funds)	Global Credit Rating	A+(za) to A(za)	**40 681**	24 490
Reinsurance assets	S&P	AA-(za) to A-(za)	**101 432**	77 572
			399 962	322 051
Debt securities	Moody's[1]	Baa1(za) to NP(za)	**54 076**	186 937
Receivables including insurance receivables	Moody's[1]	Baa1(za) to Ba1(za)	**2 568**	2 902
			456 606	511 890

[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 R26.0 million (2018: R29.6 million), Rnil (2018: R6.5 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, financial advisers and other group companies and have been deemed as low credit risk 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.
- Amounts due from other group companies are monitored by the holding company to ensure that adequate income is generated by the related company to repay the loan when required.

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 R79.3 million (2018: R69.0 million). The group is protected by guarantees provided by the Intermediary Guarantee Facility for the non-payment of premiums collected by intermediaries and through direct control over certain bank accounts used by intermediaries. The protected portion of non-rated receivables due from contract holders, intermediaries and reinsurers amounts to 52.89% (2018: 47.02%). Debtors falling into the 'non-rated' category are managed on a daily basis to ensure recoverability of amounts.
- Receivables due from related parties relate mainly to the February management and performance fees due from the PSG collective investment schemes, which are settled within a week of the financial year-end.

34. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Credit quality (continued)

Receivables including insurance receivables (continued)

- 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 policy matured or redeemed by 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 R163.2 million (2018: R307.1 million), R22.9 million (2018: R199.0 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 of low credit risk.

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, R18.7 million (2018: R2.5 million) of receivables due from contract holders and reinsurers and Rnil (2018: R0.3 million) of trade receivables were found to be impaired. As at 28 February 2019, R3.2 million (2018: R5.1 million) of unsecured loans to advisers and Rnil (2018: R7.8 million) of other unsecured loans were impaired.

Refer to notes 6, 9 and 10 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 (2018: 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.

34. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

Concentration (continued)

Reinsurance credit exposures (continued)

The following table presents the concentration risk with the individual reinsurers at 28 February:

	2019 R000	2019 %	2018 R000	2018 %
African RE	**50 716**	**48**	38 786	48
Santam RE	**50 716**	**48**	38 786	48
Namib RE	**2 326**	**4**	2 972	4
Reinsurance assets	**103 758**	**100**	80 544	100
African RE	**15 861**	**46**	9 052	44
Santam RE	**15 861**	**46**	9 052	44
Namib RE	**890**	**3**	1 314	6
Other	**1 551**	**5**	1 208	6
Amounts due from reinsurers	**34 163**	**100**	20 626	100
	137 921		101 170	

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 the following: 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.

34. 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 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.

At 28 February 2019	Carrying value R000	Less than 1 year R000	Between 1 and 5 years R000	Over 5 years R000
Borrowings				
Secured	**110 589**	**18 692**	**104 652**	**–**
Unsecured	**1 725**	**1 725**	**–**	**–**
Derivative financial instruments	**13 973**	**13 973**	**–**	**–**
Investment contracts	**25 932 120**	**2 946 080**	**22 986 041**	**–**
Insurance contracts	**542 086**	**522 843**	**19 243**	**–**
Deferred reinsurance acquisition revenue	**4 904**	**4 904**	**–**	**–**
Third-party liabilities arising on consolidation of mutual funds	**27 350 796**	**27 350 796**	**–**	**–**
Trade and other payables				
Trade payables, settlement control account and other payables	**1 658 651**	**1 658 651**	**–**	**–**
Amounts due to intermediaries	**22 034**	**22 034**	**–**	**–**
Amounts due to reinsurers	**70 853**	**70 853**	**–**	**–**
Contracts for difference	**21 400**	**21 400**	**–**	**–**
Purchase consideration payable	**91 655**	**55 545**	**36 110**	**–**
	55 820 786	**32 687 496**	**23 146 046**	**–**

At 28 February 2018	Carrying value R000	Less than 1 year R000	Between 1 and 5 years R000	Over 5 years R000
Borrowings				
Secured	101 228	9 349	114 015	–
Unsecured	2 467	2 467	–	–
Derivative financial instruments	16 857	16 857	–	–
Investment contracts	24 278 949	4 328 997	19 949 952	–
Insurance contracts	542 709	521 158	21 551	–
Deferred reinsurance acquisition revenue	3 681	3 681	–	–
Third-party liabilities arising on consolidation of mutual funds	22 585 256	22 585 256	–	–
Trade and other payables				
Trade payables, settlement control account and other payables	1 714 741	1 714 741	–	–
Amounts due to intermediaries	17 254	17 254	–	–
Amounts due to reinsurers	42 349	42 349	–	–
Contracts for difference	22 707	22 707	–	–
Purchase consideration payable	45 344	35 416	9 928	–
	49 373 542	29 300 232	20 095 446	–

34. 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 R2.2 billion (2018: R2.2 billion), debt securities of R368.5 million (2018: R483.6 million), unit-linked investments of R23.4 billion (2018: 21.6 billion), investment in investment contracts of R16.0 million (2018: R14.8 million) and cash and cash equivalents of R8.1 million (2018: R1.0 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 Holdings Limited. 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 R1.2 billion (2018: R1.2 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.

Suretyship

The group has provided suretyship in favour of the noteholders of the notes issued in terms of the DMTN programme. The balance owing as at 28 February 2019 is R101.2 million (2018: R101.2 million), and the fair value of the financial guarantee was insignificant in the 2019 and 2018 financial years as the possibility of losses from this guarantee is remote. Management monitors this exposure on a monthly basis against the performance of the Scriptfin loan book.

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 (2018: R150.0 million).
- An approved DMTN programme of R3.0 billion (2018: R3.0 billion) of which only R100.0 million (2018: R100.0 million) has been utilised.
- An undrawn overdraft facility of R50.0 million (2018: R50.0 million) with Absa Bank Limited.

Risk management

Refer to page 103 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.

34. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

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 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

Equity instruments relate to stock exchange rights and other rights owned. As these rights are unquoted, the valuation technique is based on the fact that the variability in the range of reasonable fair value estimates is not significant for this instrument and that the fair value of these rights is estimated to be equal to the guaranteed amount receivable for these rights, thus equalling the cost.

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.

34. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

Fair value hierarchy

The following financial instruments are measured at fair value:

	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
At 28 February 2019				
Assets				
Financial assets carried at fair value through profit or loss				
Derivative financial instruments	–	10 592	–	10 592
Equity securities	2 353 147	–	240	2 353 387
Listed and quoted	2 353 147	–	–	2 353 147
Unquoted	–	–	240	240
Debt securities	876 023	5 319 500	–	6 195 523
Government debt securities – quoted	332 408	827 380	–	1 159 788
Other debt securities – quoted	543 615	4 492 120	–	5 035 735
Unit-linked investments	–	46 033 221	454 859	46 488 080
Collective investment schemes	–	46 033 221	–	46 033 221
Other unit-linked investments	–	–	454 859	454 859
Investment in investment contracts	–	16 048	–	16 048
	3 229 170	51 379 361	455 099	55 063 630
Liabilities				
Financial liabilities carried at fair value through profit or loss				
Derivatives financial instruments	–	13 973	–	13 973
Investment contracts	–	25 438 584	435 129	25 873 713
Purchase consideration payable	–	–	91 655	91 655
Third-party liabilities arising on consolidation of mutual funds	–	27 350 796	–	27 350 796
	–	52 803 353	526 784	53 330 137

34. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

Fair value hierarchy (continued)

The following financial instruments are measured at fair value:

	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
At 28 February 2018				
Assets				
Financial assets carried at fair value through profit or loss				
Derivative financial instruments	–	8 854	–	8 854
Equity securities	2 321 235	7	240	2 321 482
Listed and quoted	2 321 235	7	–	2 321 242
Unquoted	–	–	240	240
Debt securities	922 377	1 500 509	–	2 422 886
Government debt securities – quoted	254 789	229 702	–	484 491
Other debt securities – quoted	667 588	1 270 807	–	1 938 395
Unit-linked investments	–	41 478 953	717 137	42 196 090
Collective investment schemes	–	41 478 953	–	41 478 953
Other unit-linked investments	–	–	717 137	717 137
Investment in investment contracts	–	14 798	–	14 798
	3 243 612	43 003 121	717 377	46 964 110
Liabilities				
Financial liabilities carried at fair value through profit or loss				
Derivatives financial instruments	–	16 857	–	16 857
Investment contracts	–	23 420 874	698 146	24 119 020
Purchase consideration payable	–	–	45 344	45 344
Third-party liabilities arising on consolidation of mutual funds	–	22 585 256	–	22 585 256
	–	46 022 987	743 490	46 766 477

34. 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 2017	1 109 239	361	1 109 600
Additions	487 832	–	487 832
Disposals	(902 902)	(121)	(903 023)
Gains recognised in profit or loss[2]	22 968	–	22 968
Carrying value at 28 February 2018	717 137	240	717 377
Additions	**229 809**	**–**	**229 809**
Disposals	**(523 353)**	**–**	**(523 353)**
Gains recognised in profit or loss[2]	**31 266**	**–**	**31 266**
Carrying value at 28 February 2019	**454 859**	**240**	**455 099**

[1] *Gains on these items were recognised in profit or loss under the line item 'net fair value gains and losses on financial instruments'.*

[2] *Gains recognised in profit or loss include unrealised gains of R28.7 million and realised gains of R2.6 million for the 2019 financial year (2018: unrealised gains of R90.6 million and realised losses of R67.6 million).*

	Purchase consideration payable R000	Investment contracts[3] R000	Total R000
Liabilities			
Carrying value at 1 March 2017	38 141	1 099 239	1 137 380
Additions	66 107	475 732	541 839
Disposals	(58 896)	(903 109)	(962 005)
Exchange differences	(8)	–	(8)
Losses recognised in profit or loss[4]	–	26 284	26 284
Carrying value at 28 February 2018	45 344	698 146	743 490
Additions	**82 732**	**229 208**	**311 940**
Disposals	**(88 207)**	**(523 357)**	**(611 564)**
Exchange differences	**69**	**–**	**69**
Subsidiaries acquired	**51 931**	**–**	**51 931**
(Gains)/losses recognised in profit or loss[4]	**(214)**	**31 132**	**30 918**
Carrying value at 28 February 2019	**91 655**	**435 129**	**526 784**

[3] *Losses on these items were recognised in profit or loss under the line item 'fair value adjustment to investment contract liabilities'.*

[4] *Losses recognised in profit or loss include unrealised losses of R28.4 million and realised losses of R2.6 million for the 2019 financial year (2018: unrealised losses of R93.9 million and realised gains of R67.6 million).*

34. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

Level 3 financial instruments (continued)

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

	2019		2018	
	Carrying value R000	Fair value R000	Carrying value R000	Fair value R000
Assets				
Debt securities – amortised cost	**66 548**	**65 540**	159 929	159 038
Liabilities				
Investment contracts	**58 407**	**57 523**	159 929	159 038

The fair value of financial assets and liabilities as above, which are measured at amortised cost, are categorised into the following fair value hierarchies:

	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
At 28 February 2019				
Assets				
Debt securities – amortised cost	**–**	**–**	**65 540**	**65 540**
Liabilities				
Investment contracts	**–**	**–**	**57 523**	**57 523**
At 28 February 2018				
Assets				
Debt securities – amortised cost	–	–	159 038	159 038
Liabilities				
Investment contracts	–	–	159 038	159 038

34. RISK MANAGEMENT (continued)

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 R10.6 million (2018: R8.9 million) and derivative liabilities of R14.0 million (2018: R16.9 million) are subject to a master netting arrangement, with a net exposure of R3.4 million (2018: R8.0 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.

Long-term insurance contracts

The insurance risk that PSG Life Limited is exposed to arises from an annuitant book with 57 (2018: 58) policies which are in the process of being run off, with a total liability value of R19.2 million (2018: R21.6 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:

	2019		2018	
Annuity amount per annum – R	Number of annuities	Annual annuity exposure R000	Number of annuities	Annual annuity exposure R000
0 – 50 000	**39**	**982**	40	982
50 001 – 100 000	**12**	**864**	12	831
100 001 – 150 000	**1**	**121**	2	260
150 001 – 200 000	**4**	**677**	3	501
200 001 – 999 999 999	**1**	**291**	1	279

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% (2018: 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 4.5% (2018: 4.7%) per annum on Glenrand policies and 5.2% (2018: 4.1%) on mCubed policies
- Investment returns: based on the long-term Prudential Authority nominal yield curve effective 28 February 2019 and 28 February 2018

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.

34. RISK MANAGEMENT (continued)

INSURANCE RISK (continued)

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.

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:

	2019 Type of insurance risk		2018 Type of insurance risk	
Geographical location	**Motor %**	**Non-motor %**	**Motor %**	**Non-motor %**
South Africa	**44**	**56**	47	53
Namibia	**33**	**67**	25	75
Botswana	**59**	**41**	–	–
	43	**57**	45	55

Of the group's gross written premium of R1.3 billion for the year ending 28 February 2019 (2018: R1.2 billion), 91% (2018: 91%) was generated within South Africa, 8% (2018: 9%) within Namibia and 1% (2018: 0%) within Botswana.

Refer to page 102 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.

34. 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 upon 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 group's 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. Capital adequacy requirements were covered 1.99 times at 28 February 2019 (2018: 1.68 times). This ratio is determined in accordance with regulations and the guidelines issued by the Actuarial Society of South Africa.

The subsidiary of the group, Western Group Holdings Limited, 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 be 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 Western met their capital requirements as at 28 February 2019.

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.

34. RISK MANAGEMENT (continued)

REGULATORY CAPITAL DEVELOPMENTS

The Insurance Act, which came into effect on 1 July 2018, introduced a new solvency regime for the South African long-term and short-term insurance industries. Updated methodology as prescribed in the Prudential Standards is to be used when calculating their available capital and solvency requirement. The Insurance Act also introduces capital requirements for designated insurance groups.

PSG Konsult is strongly capitalised and complies with the capital requirements of SAM.

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

During July 2018, GCR affirmed the long-and short-term investment grade national scale ratings assigned to PSG Konsult of 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 chief operating officer 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.

35. ADOPTION OF NEW ACCOUNTING STANDARDS

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

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

The changes in accounting policies were applied retrospectively without restating comparative figures. If any differences were identified they would have been taken to opening retained earnings, however the impact of the adoption of IFRS 9 and IFRS 15 was immaterial and no adjustment is therefore presented.

Adoption of IFRS 9

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

Financial assets

In assessing how financial assets should be classified and measured, IFRS 9 requires the assessment of:

- the business model applied to manage the financial assets; and
- the nature of contractual cash flows relating to the specific instrument, whether they solely represent payments of principal and interest.

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

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

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

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

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

Financial liabilities

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

Impact on adoption of IFRS 9

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

35. ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

Adoption of IFRS 9 (continued)

The following table shows the original classification and carrying amount under IAS 39, and the new carrying amount under IFRS 9 for each class of the group's financial assets and financial liabilities as at 1 March 2018:

	IAS 39 Classification	IFRS 9 Classification	IAS 39 Carrying amount R000	IFRS 9 Carrying amount R000	Difference R000
Financial assets					
Equity securities			2 321 482	2 321 482	–
Quoted	Designated FVTPL	FVTPL	2 321 242	2 321 242	–
Unquoted	Designated FVTPL	FVTPL	240	240	–
Debt securities			2 582 815	2 582 815	–
Government debt securities – quoted	Designated FVTPL	FVTPL	484 491	484 491	–
Other debt securities – quoted	Designated FVTPL	FVTPL	1 938 395	1 938 395	–
Other debt securities – unquoted	Held-to-maturity	Amortised cost	159 929	159 929	–
Unit-linked investments			42 196 090	42 196 090	–
Collective investment schemes	Designated FVTPL	FVTPL	41 478 953	41 478 953	–
Other unit-linked investments	Designated FVTPL	FVTPL	717 137	717 137	–
Investment in investment contracts	Designated FVTPL	FVTPL	14 798	14 798	–
Derivative financial instruments	Held for trading	FVTPL	8 854	8 854	–
Loans and advances			134 202	134 202	–
Secured	Loans and receivables	Amortised cost	78 493	78 493	–
Unsecured	Loans and receivables	Amortised cost	55 709	55 709	–
Receivables excluding insurance receivables			1 784 318	1 784 318	–
Trade receivables	Loans and receivables	Amortised cost	311 541	311 541	–
Brokers and clearing houses and client accounts	Loans and receivables	Amortised cost	1 372 631	1 372 631	–
Contracts for difference	Loans and receivables	Amortised cost	22 619	22 619	–
Receivables due from related parties	Loans and receivables	Amortised cost	70 343	70 343	–
Rental and other deposits and sundry debtors	Loans and receivables	Amortised cost	7 184	7 184	–
Cash and cash equivalents			1 920 626	1 920 626	–
Cash at bank and in hand	Loans and receivables	Amortised cost	687 805	687 805	–
Money market funds	Loans and receivables	FVTPL	851 149	851 149	–
Short-term deposits	Loans and receivables	Amortised cost	381 672	381 672	–

35. ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

	IAS 39 Classification	IFRS 9 Classification	IAS 39 Carrying amount R000	IFRS 9 Carrying amount R000	Difference R000
Financial liabilities					
Investment contracts			24 278 949	24 278 949	–
Fair value through profit or loss	Designated FVTPL	Designated FVTPL	24 119 020	24 119 020	–
At amortised cost	Amortised cost	Amortised cost	159 929	159 929	–
Third-party liabilities on consolidation of mutual funds	Designated FVTPL	Designated FVTPL	22 585 256	22 585 256	–
Derivative financial instruments	FVTPL	FVTPL	16 857	16 857	–
Borrowings			103 695	103 695	–
Secured	Amortised cost	Amortised cost	101 228	101 228	–
Unsecured	Amortised cost	Amortised cost	2 467	2 467	–
Trade and other payables (excluding insurance payables)			1 782 792	1 782 792	–
Trade payables, settlement control account and other payables	Amortised cost	Amortised cost	1 714 741	1 714 741	–
Contracts for difference	Amortised cost	Amortised cost	22 707	22 707	–
Purchase consideration payable	Designated FVTPL	FVTPL	45 344	45 344	–

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

Adoption of IFRS 15

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

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

There were no material changes to the revenue recognition for commission and other fee income, which is recognised in terms of IFRS 15.

Consequently, there was an immaterial financial impact to the consolidated group on 1 March 2018 upon adoption of IFRS 15.

IFRS 15 required the following additional disclosure:

- Revenue from contracts with customers to be separately presented on the face of the income statement. Refer to the condensed consolidated income statement where this amendment has been made.
- The disaggregation of revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to the segment report where this has been presented.

36. SHARE ANALYSIS

	Shareholders		Shares held	
	Number	%	Number	%
Range of shareholding				
1 – 50 000	3 161	84.0	25 082 623	1.9
50 001 – 100 000	200	5.3	13 634 017	1.0
100 001 – 500 000	232	6.2	49 851 508	3.7
500 001 – 1 000 000	64	1.7	44 656 700	3.4
Over 1 000 000	104	2.8	1 203 442 426	90.0
	3 761	100.0	1 336 667 274	100.0
Treasury shares	8		28 217 844	
	3 769		1 364 885 118	
Public and non-public shareholding				
Non-public				
Holding company	1	0.0	810 058 551	60.6
Directors and management	17	0.5	116 406 636	8.7
Public	3 743	99.5	410 202 087	30.7
	3 761	100.0	1 336 667 274	100.0
Individual shareholders holding 5% or more of shares in issue (net of treasury shares) at 28 February 2019				
PSG Financial Services Limited			810 058 551	60.6
Coronation Asset Management			119 205 664	8.9
			929 264 215	69.5





PSG KONSULT LIMITED
COMPANY FINANCIAL STATEMENTS

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COMPANY STATEMENT OF FINANCIAL POSITION
as at 28 February 2019

	Notes	2019 R000	2018 R000
ASSETS			
Investment in subsidiaries	1	**1 678 138**	1 574 248
Deferred income tax asset	2	**16**	12
Loans and advances	3	**503 024**	469 781
Receivables	4	**1 659**	766
Cash and cash equivalents (including money market funds)	5	**320 463**	259 315
Total assets		**2 503 300**	2 304 122
EQUITY			
Equity attributable to owners of the company			
Stated capital	6	**2 129 572**	1 908 804
Retained earnings		**325 946**	353 584
Total equity		**2 455 518**	2 262 388
LIABILITIES			
Borrowings	7	**6 851**	6 851
Trade and other payables	8	**40 914**	34 843
Current income tax liability		**17**	40
Total liabilities		**47 782**	41 734
Total equity and liabilities		**2 503 300**	2 304 122

COMPANY STATEMENT OF COMPREHENSIVE INCOME
for the year ended 28 February 2019

	Notes	2019 R000	2018 R000
Interest income on amortised cost financial instruments[1]	9	**10 604**	12 354
Interest income on fair value through profit or loss financial instruments[1]	9	**12 624**	–
Dividend income[1]	9	**217 500**	307 000
Total income		**240 728**	319 354
Marketing, administration and other expenses	10	**(1 212)**	(823)
Total expenses		**(1 212)**	(823)
Profit before finance costs and taxation		**239 516**	318 531
Finance costs	11	**(24)**	(19)
Profit before taxation		**239 492**	318 512
Taxation	12	**(6 492)**	(3 452)
Profit for the year		**233 000**	315 060
Total comprehensive income for the year		**233 000**	315 060

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

COMPANY STATEMENT OF CHANGES IN EQUITY
for the year ended 28 February 2019

	Stated capital R000	Retained earnings R000	Total R000
Balance at 1 March 2017	1 749 505	251 574	2 001 079
Comprehensive income			
Total comprehensive income for the year	–	315 060	315 060
Transactions with owners	159 299	(213 050)	(53 751)
Issue of ordinary shares	159 299	–	159 299
Dividends paid	–	(213 050)	(213 050)
Balance at 28 February 2018	1 908 804	353 584	2 262 388
Comprehensive income			
Total comprehensive income for the year	**–**	**233 000**	**233 000**
Transactions with owners	**220 768**	**(260 638)**	**(39 870)**
Issue of ordinary shares	**220 768**	**–**	**220 768**
Dividends paid	**–**	**(260 638)**	**(260 638)**
Balance at 28 February 2019	**2 129 572**	**325 946**	**2 455 518**

COMPANY STATEMENT OF CASH FLOWS
for the year ended 28 February 2019

	Notes	2019 R000	2018 R000
Cash flows from operating activities			
Cash utilised in operations	16.1	**(24 319)**	(194)
Interest received		**23 228**	12 354
Dividends received		**217 500**	307 000
Finance costs		**(24)**	(19)
Taxation paid	16.2	**(6 519)**	(3 446)
Net cash flow from operating activities		**209 866**	315 695
Cash flows from financing activities			
Dividends paid		**(260 638)**	(213 050)
Issue of ordinary shares		**111 920**	70 339
Net cash flow from financing activities		**(148 718)**	(142 711)
Net increase in cash and cash equivalents		**61 148**	172 984
Cash and cash equivalents at beginning of the year		**259 315**	86 331
Cash and cash equivalents at end of the year	16.3	**320 463**	259 315

NOTES TO THE COMPANY FINANCIAL STATEMENTS
for the year ended 28 February 2019

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

	2019 R000	2018 R000
Unlisted shares at cost less impairment	**1 678 138**	1 574 248

Interest in subsidiaries acquired and sold

PSG Konsult Limited subscribed to an additional R50.0 million share issue of PSG Distribution Holdings Proprietary Limited and a R53.9 million share issue of PSG Insure Holdings Proprietary Limited during the 2019 financial year. The effective interest in PSG Distribution Holdings Proprietary Limited and PSG Insure Holdings Proprietary Limited remained unchanged at 100%.

During the 2018 financial year, PSG Konsult Limited subscribed to an additional R5.3 million share issue of PSG Distribution Holdings Proprietary Limited. The share issue by PSG Distribution Holdings Proprietary Limited took place along with the asset-for-share transactions which were concluded in terms of section 42 of the Income Tax Act, as well as further revenue sharing arrangements with various advisers within the PSG Konsult Limited Group, through a wholly owned subsidiary, PSG Wealth Financial Planning Proprietary Limited. The effective interest in PSG Distribution Holdings Proprietary Limited remained unchanged at 100%.

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 price-earnings ratio to the profit after tax for each subsidiary for the respective financial years. The price-earnings ratios are determined with reference to similar listed companies as well as recent transactions concluded in the market and were determined as between 5.0 and 7.5 (2018: 5.0 and 7.5).

General

Refer to Annexure B for the schedule of interests in subsidiaries.

2. DEFERRED INCOME TAX

	2019 R000	2018 R000
Deferred income tax asset	**16**	12
Deferred income tax liability	**–**	–
Net deferred income tax asset	**16**	12
Deferred income tax asset		
To be recovered within 12 months	**16**	12
To be recovered after 12 months	**–**	–
	16	12

The movement in the deferred income tax asset during the year was as follows:

Deferred income tax asset	Provisions R000	Total R000
Carrying value at 1 March 2017	11	11
Credit to profit or loss	1	1
Carrying value at 28 February 2018	12	12
Credit to profit or loss	**4**	**4**
Carrying value at 28 February 2019	**16**	**16**

The deferred income tax asset was calculated on all temporary differences under the liability method using the effective tax rate of 28% (2018: 28%).

The recoverability of the deferred income tax asset was assessed as set out in the detailed accounting policies in Annexure A.

3. LOANS AND ADVANCES

	2019 R000	2018 R000
Loans to related parties (refer to note 15)	**503 024**	469 781
Current portion	**503 024**	469 781
Non-current portion	**–**	–
	503 024	469 781

Loans to related parties are unsecured and include balances of R21.4 million and R37.2 million (2018: R1.2 million and R53.1 million) which accrue interest at prime and prime less 2% (2018: prime and prime less 2%) respectively and are repayable on demand. The remaining balance is unsecured, interest-free and repayable on demand.

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.

During the 2019 financial year, management reassessed the purpose and nature of these loans, as well as their recoverability. Under IFRS 9, expected credit losses for loans to related parties are measured under the general model. As there has not been a significant increase in credit risk, a 12-month expected credit loss is calculated. Based on this assessment, management did not identify any loans which would not be recoverable and no impairment is therefore considered necessary. In addition, the effect of discounting was considered to be immaterial.

The maximum exposure to credit risk at the reporting date is the fair value of the loans and advances mentioned above.

4. RECEIVABLES

	2019 R000	2018 R000
Trade receivables	**1 659**	766
Current portion	**1 659**	766
Non-current portion	**–**	–
	1 659	766

The receivables are interest-free and repayable on demand. The carrying value approximates fair value.

In the prior year, the receivables were assessed individually for any indications that the counterparty might not be able to honour its commitment. No receivables were considered to be impaired.

In terms of IFRS 9, the company has applied the simplified approach to determine the expected credit loss, which was deemed to be immaterial.

5. CASH AND CASH EQUIVALENTS (INCLUDING MONEY MARKET FUNDS)

	2019 R000	2018 R000
Cash at bank	**435**	364
Money market funds	**300 590**	240 297
Short-term deposits	**19 438**	18 654
	320 463	259 315

The effective-interest rate on cash and cash equivalents (including money market funds) was 7.19% (2018: 7.38%). 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 for the 2019 financial year 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. No impairment is therefore considered necessary.

6. STATED CAPITAL

Authorised

3 billion shares with no par value
(2018: 3 billion shares with no par value)

There were no changes to the authorised stated capital during the current reporting period (2018: no changes).

Issued	Number of shares (thousands)	Stated capital R'000
As at 1 March 2017	1 322 100	1 749 505
Issue of ordinary shares	20 142	159 299
As at 28 February 2018	1 342 242	1 908 804
Issue of ordinary shares	**22 643**	**220 768**
As at 28 February 2019	**1 364 885**	**2 129 572**

The shares issued during the current financial year were to fulfil the company's obligation towards the share options which vested on 20 April 2018, 1 June 2018 and 1 August 2018 respectively.

The shares issued during the previous financial year were to fulfil the company's obligation towards the share options which vested on 14 April 2017, 1 June 2017, 1 July 2017 and 1 August 2017 respectively, as well as the asset-for-share transactions detailed below.

During the 2018 financial year, the group, through its subsidiary PSG Wealth Financial Planning Proprietary Limited, concluded further asset-for-share transactions utilising section 42 of the Income Tax Act with a number of its advisers. This has allowed the group to further standardise the revenue sharing model with advisers and has also given them the opportunity to invest in the future of PSG Konsult. The transactions were settled with the issue of 0.6 million PSG Konsult shares at an average of R8.97 per share and a cash payment of R17.3 million by PSG Wealth Financial Planning Proprietary Limited.

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.

7. BORROWINGS

	2019 R000	2018 R000
Related-party loans (refer to note 15)	**6 851**	6 851
Current portion	**6 851**	6 851
Non-current portion	**–**	–
	6 851	6 851

The related-party loans are unsecured, interest-free and repayable on demand.

The carrying value of the borrowings approximates their fair value.

8. TRADE AND OTHER PAYABLES

	2019 R000	2018 R000
Trade payables	**40 906**	34 836
VAT payable	**8**	7
Total trade and other payables[1]	**40 914**	34 843
Current portion	**40 914**	34 843
Non-current portion	**–**	–
	40 914	34 843

[1] *Includes non-financial liabilities of R0.008 million (2018: R0.007 million).*

The carrying amount of trade and other payables approximates their fair value.

9. INVESTMENT INCOME

	2019 R000	2018 R000
Interest income		
Interest income on amortised cost financial instruments		
Interest received from related parties (refer to note 15)	**7 475**	9 961
Cash and short-term funds	**3 129**	2 393
	10 604	12 354
Interest income on fair value through profit or loss financial instruments		
Interest received from related parties (refer to note 15)	**12 624**	–
Dividend income		
Dividend income from subsidiaries (refer to note 15)	**217 500**	307 000
Investment income	**240 728**	319 354

10. MARKETING, ADMINISTRATION AND OTHER EXPENSES

	2019 R000	2018 R000
Auditor's remuneration	**89**	41
Professional fees	**1 013**	680
Administration costs	**110**	102
	1 212	823

11. FINANCE COSTS

	2019 R000	2018 R000
Other borrowings	**24**	19

NOTES TO THE COMPANY FINANCIAL STATEMENTS
for the year ended 28 February 2019

12. TAXATION

	2019 R000	2018 R000
Current taxation		
Current year	**6 496**	3 453
Deferred taxation		
Current year	**(4)**	(1)
Total income statement charge	**6 492**	3 452

The company has no unutilised tax losses available at 28 February 2019 (2018: Rnil) for utilisation against future taxable income.

Reconciliation of effective rate of taxation	2019 %	2018 %
South African normal taxation rate	**28.0**	28.0
Adjusted for:		
Non-taxable income[1]	**(25.4)**	(27.0)
Non-deductible charges	**0.1**	0.1
Effective rate of taxation	**2.7**	1.1

[1] *The non-taxable income relates to dividend income.*

13. DIVIDEND PER SHARE

	2019 R000	2018 R000
Normal dividend	**260 638**	213 050

Interim
7.0 cents per share (2018: 5.7 cents per share)

Final
13.5 cents per share (2018: 12.3 cents per share)

Dividends are not accounted for until they have been approved by the company's board of directors.

14. BORROWING POWERS
In terms of the company's MOI, borrowing powers are unlimited. Details of actual borrowings of the company are disclosed in note 7 to the company financial statements.

15. 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	2019 R000	2018 R000
Loans and advances		
Due from companies in the PSG Konsult Limited Group		
PSG Management Services Proprietary Limited	**215 889**	197 569
Delerus Proprietary Limited	**21 365**	1 200
PSG Konsult Treasury Limited	**37 170**	53 094
PSG Insure Holdings Proprietary Limited	**2 431**	2 392
PSG Wealth Holdings Proprietary Limited	**92 352**	111 936
PSG Konsult Group Share Incentive Trust	**133 817**	103 570
Due from related parties		
PSG Konsult Employee Trust	**–**	20
	503 024	469 781
Refer to note 3 for the detail of the terms of the loans to related parties.		
Borrowings		
Due to companies in the PSG Konsult Limited Group		
PSG Scriptfin Proprietary Limited	**6 851**	6 851

Refer to note 7 for the detail of the terms of the related-party loans.

Related-party transactions	2019 R000	2018 R000
Interest income		
Received from companies in the PSG Konsult Limited Group		
PSG Konsult Treasury Limited	**3 295**	6 436
Delerus Proprietary Limited	**4 180**	130
Received from related parties		
Local unit trusts	**12 624**	3 395
	20 099	9 961
Dividend income		
Received from companies in the PSG Konsult Limited Group		
PSG Wealth Holdings Proprietary Limited	**62 500**	68 000
PSG Distribution Holdings Proprietary Limited	**29 000**	134 500
PSG Asset Management Holdings Proprietary Limited	**126 000**	104 500
	217 500	307 000

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 123 and 124.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
for the year ended 28 February 2019

16. NOTES TO THE STATEMENT OF CASH FLOWS

	2019 R000	2018 R000
16.1 Cash utilised in operations		
Profit before finance costs and taxation	**239 516**	318 531
Adjustment for non-cash items and other:		
Interest income	**(23 228)**	(12 354)
Dividend income	**(217 500)**	(307 000)
	(1 212)	(823)
Changes in working capital		
Receivables	**(893)**	(625)
Loans and advances	**(28 284)**	(5 252)
Trade and other payables	**6 070**	6 506
	(24 319)	(194)
16.2 Taxation paid		
Charge to profit or loss	**(6 492)**	(3 452)
Movement in deferred taxation	**(4)**	(1)
Movement in net taxation liability	**(23)**	7
	(6 519)	(3 446)
16.3 Cash and equivalents at end of the year		
Cash and cash equivalents (including money market funds)	**320 463**	259 315

17. 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.

18. 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	2019 R000	2018 R000
Financial assets carried at amortised cost		
Loans and advances[1]	**503 024**	469 781
Receivables[1]	**1 659**	766
Cash and cash equivalents (including money market funds)[1]	**320 463**	259 315
Total financial assets	**825 146**	729 862

Liabilities	2019 R000	2018 R000
Financial liabilities carried at amortised cost		
Borrowings[1]	**6 851**	6 851
Trade and other payables	**40 906**	34 836
Total financial liabilities	**47 757**	41 687

[1] *Carrying value approximates fair value.*

18. 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.

	2019			2018		
	Floating rate R000	Interest-free R000	Carrying value R000	Floating rate R000	Interest-free R000	Carrying value R000
Loans and advances	**58 534**	**444 490**	**503 024**	54 294	415 487	469 781
Receivables	**–**	**1 659**	**1 659**	–	766	766
Cash and cash equivalents	**320 463**	**–**	**320 463**	259 315	–	259 315
Borrowings	**–**	**(6 851)**	**(6 851)**	–	(6 851)	(6 851)
Trade and other payables	**–**	**(40 906)**	**(40 906)**	–	(34 836)	(34 836)
	378 997	**398 392**	**777 389**	313 609	374 566	688 175

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% (2018: 1%) movement in interest rates is analysed below:

	2019 1% increase R000	2018 1% increase R000	2019 1% decrease R000	2018 1% decrease R000
Impact on post-tax profit	**2 729**	2 258	**(2 729)**	(2 258)

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:

	2019		2018	
	Balance R000	Collateral fair value R000	Balance R000	Collateral fair value R000
Loans and advances	**503 024**	**–**	469 781	–
Receivables	**1 659**	**–**	766	–
Cash and cash equivalents	**320 463**	**–**	259 315	–
	825 146	**–**	729 862	–

18. 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 2019, no receivables (2018: Rnil) were found to be impaired and accordingly no impairment was raised.

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:

	2019 R000	2018 R000
P1	**19 873**	19 018
Other non-rated assets	**504 683**	470 547
Unit-linked investments (including CIS)	**300 590**	240 297
	825 146	729 862

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 2019				
Loans and advances	**–**	**–**	**503 024**	**503 024**
Receivables	**–**	**–**	**1 659**	**1 659**
Cash and cash equivalents	**19 873**	**300 590**	**–**	**320 463**
	19 873	**300 590**	**504 683**	**825 146**
At 28 February 2018				
Loans and advances	–	–	469 781	469 781
Receivables	–	–	766	766
Cash and cash equivalents	19 018	240 297	–	259 315
	19 018	240 297	470 547	729 862

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. These amounts are payable on demand. Amounts due from related companies are monitored by the company to ensure that adequate income is generated by the related company to repay the loan when required.

The company did not have any receivables that were past due but not impaired for any of the financial years.

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.

18. RISK MANAGEMENT (continued)

FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

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 2019				
Borrowings	**6 851**	**6 851**	**–**	**–**
Trade and other payables	**40 906**	**40 906**	**–**	**–**
Financial guarantee contract[1]	**101 227**	**9 330**	**104 652**	**–**
	148 984	**57 087**	**104 652**	**–**
At 28 February 2018				
Borrowings	6 851	6 851	–	–
Trade and other payables	34 836	34 836	–	–
Financial guarantee contract[1]	101 228	9 349	114 016	–
	142 915	51 036	114 016	–

[1] *Significant off-balance sheet exposure. Refer to note 19 below. The fair value of the financial guarantee contract was insignificant at the end of each reporting period. Management evaluated the relevant historical data and consider the possibility of losses arising from the financial guarantee to be remote.*

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 affirmed the long-term and short-term investment grade national scale ratings assigned to PSG Konsult of A-(ZA) and A1-(ZA) respectively, with the outlook for both ratings remaining stable.

19. CAPITAL COMMITMENTS AND CONTINGENCIES

PSG Scriptfin Proprietary Limited, a wholly owned subsidiary, obtained a recourse loan facility from Investec Bank Limited during the 2016 financial year. PSG Konsult Limited provided an irrevocable, unconditional guarantee for all the obligations and liabilities of PSG Scriptfin Proprietary Limited, under this facility, to Investec Bank Limited, with the guarantee limited to R150.0 million. The loan amount due by PSG Scriptfin Proprietary Limited to Investec Bank Limited at 28 February 2019 was Rnil (2018: Rnil).

PSG Konsult Treasury Limited, a wholly owned subsidiary, established a DMTN programme during the 2018 financial year. PSG Konsult Limited provided an irrevocable, unconditional guarantee for all the obligations and liabilities of PSG Konsult Treasury Limited to and in favour of the noteholders of the notes issued. The balance of the amount owing as at 28 February 2019 is R101.2 million (2018: R101.2 million).

PSG Konsult Limited has also issued letters of support in the ordinary course of business for the activities of certain of its subsidiaries.

20. ADOPTION OF NEW ACCOUNTING STANDARDS

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

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

The changes in accounting policies were applied retrospectively without restating comparative figures. If any differences were identified they would have been taken to opening retained earnings, however the impact of the adoption of IFRS 9 and IFRS 15 was immaterial and no adjustment is therefore presented.

20. ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

Adoption of IFRS 9

Financial assets

In assessing how financial assets should be classified and measured, IFRS 9 requires the assessment of:

- the business model applied to manage the financial assets; and
- the nature of contractual cash flows relating to the specific instrument, whether they solely represent payments of principal and interest.

Application of the business model approach for the company resulted in changes to the classification for money market funds within cash and cash equivalents. Under IFRS 9 these balances are now classified at fair value through profit or loss. Previously under IAS 39 they were classified at amortised cost.

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

- the majority of the financial assets are short-term in nature; and
- the loans from related parties were assessed to be recoverable and the effect of discounting immaterial.

Financial liabilities

The requirement for the classification and measurement under IFRS 9 has not changed significantly from IAS 39. Financial liabilities are either held at fair value or at amortised cost. There were no changes in the classification of the company's financial liabilities.

Impact on adoption of IFRS 9

The net financial impact of the changes in classification and measurement after tax had an immaterial impact on opening retained earnings on 1 March 2018. Upon adoption of IFRS 9, the company had no financial instruments measured at fair value through other comprehensive income.

The following table shows the original classification and carrying amount under IAS 39, and the new carrying amount under IFRS 9 for each class of the company's financial assets and financial liabilities as at 1 March 2018:

	IAS 39 classification	IFRS 9 classification	IAS 39 carrying amount R000	IFRS 9 carrying amount R000	Difference R000
Financial assets					
Loans and advances			**469 781**	**469 781**	**–**
Loans from related parties	Loans and receivables	Amortised cost	**469 781**	**469 781**	**–**
Receivables			**766**	**766**	**–**
Trade receivables	Loans and receivables	Amortised cost	**766**	**766**	**–**
Cash and cash equivalents			**259 315**	**259 315**	**–**
Cash at bank and in hand	Loans and receivables	Amortised cost	**364**	**364**	**–**
Money market funds	Loans and receivables	FVTPL	**240 297**	**240 297**	**–**
Short-term deposits	Loans and receivables	Amortised cost	**18 654**	**18 654**	**–**
Financial liabilities					
Borrowings			**6 851**	**6 851**	**–**
Related-party loans	Amortised cost	Amortised cost	**6 851**	**6 851**	**–**
Trade and other payables			**34 836**	**34 836**	**–**
Trade payables	Amortised cost	Amortised cost	**34 836**	**34 836**	**–**

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

Adoption of IFRS 15

IFRS 15 does not have an impact on the company financial statements as the income relates to the following which are specifically scoped out of IFRS 15:

- dividend income from subsidiaries; and
- interest on financial instruments.





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ANNEXURE A – DETAILED ACCOUNTING POLICIES

for the year ended 28 February 2019

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 mandatory adoption of IFRS 9 – Financial instruments and IFRS 15 – Revenue from contracts with customers, which are effective for years commencing 1 March 2018. The group has applied both standards retrospectively without restating comparative figures. Refer to note 35 for further detail.

1. STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS THAT ARE EFFECTIVE FOR THE FIRST TIME IN 2019

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:

- Amendment to IFRS 4 – Insurance contracts – Implementation of IFRS 9 (effective 1 January 2018)
  These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and give companies whose activities are predominantly connected with insurance an optional exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard – IAS 39.
- IFRS 9 – Financial instruments (effective 1 January 2018)
  This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit loss model that replaces the current incurred loss impairment model.
- IFRS 15 – Revenue from contracts with customers (effective 1 January 2018)
  This standard introduces a single, comprehensive revenue recognition model for all contracts with customers to achieve greater consistency in the recognition and presentation of revenue. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of goods or services transfers to a customer.
- IFRIC 22 – Foreign currency transactions and advance consideration (effective 1 January 2018)
  This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

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.

Additional disclosure has been provided as a result of IFRS 9 and IFRS 15. Refer to note 35 for further detail.

1.2 New and amended standards, interpretations and amendments not currently relevant to the group's operations

The following new standards, interpretations and 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:

- Annual improvements 2014 – 16 cycle (effective 1 January 2018):
  IFRS 1 – First-time adoption of IFRS
  This amendment deletes short-term exemptions for first-time adopters regarding IFRS 7, IAS 19 and IFRS 10.
  IAS 28 – Investments in associates and joint ventures
  IAS 28 allows venture capital organisations, mutual funds, unit trusts and similar entities to elect measuring their investments in associates or joint ventures at fair value through profit or loss. This amendment clarifies that this election should be made separately for each associate or joint venture at initial recognition.

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 2019 or later periods and have not been early adopted by the group:

- Amendment to IFRS 3 – Business combinations – Definition of a business (effective 1 January 2020)*
- Amendments to IFRS 9 – Financial instruments – Prepayment features with negative compensation and modification of financial liabilities (effective 1 January 2019)*
- IFRS 16 – Leases (effective 1 January 2019)#
- IFRS 17 – Insurance contracts (effective 1 January 2022 following IASB due process)^
- Amendment to IAS 1 – Presentation of financial statements and IAS 8 – Accounting policies, changes in accounting estimates and errors – Definition of material (effective 1 January 2020)+
- Amendments to IAS 19 – Employee benefits – Plan amendment, curtailment or settlement (effective 1 January 2019)*
- Amendments to IAS 28 – Investments in associates and joint ventures – Long-term interests in associates and joint ventures (effective 1 January 2019)*
- IFRIC 23 – Uncertainty over income tax treatments (effective 1 January 2019)*
- Annual improvements 2015 – 17 cycle (effective 1 January 2019)*

^ *Management is in the process of assessing the impact of these standards, interpretations and amendments on the reported results of the group and company.*

* *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 has assessed the impact of this standard on the reported results of the group and company and foresees only minor disclosure changes.*

\# *The adoption of IFRS 16 will have a material impact on the group as the group has various property lease agreements whereby it is the lessee. This will result in the recognition of right-of-use assets and a corresponding lease liability upon adoption of IFRS 16. The company will not be impacted.*

2.1 Impact of initial application of new standards that are not yet effective

Standard	Impact of standards
IFRS 16 – Leases	The new leases standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Management performed an assessment of existing contracts and it was concluded that leases of properties were the only material class of underlying assets that will be recognised as right-of-use assets. All other classes of underlying assets will be treated as leases of low value and be expensed on a monthly basis. The group will also apply the exemption for short-term leases. On transition to IFRS 16, the group will recognise right-of-use assets and lease liabilities for its property leases. Previously, the group recognised operating lease expenses on a straight-line basis over the term of the lease. The nature of expenses related to those leases will now change from operating lease rentals to depreciation charges for right-of-use assets and interest expense on lease liabilities. IFRS 16 will result in the front-loading of expenses as interest expense charges will be higher during the initial years of the lease, and decrease as the lease liability unwinds. The group has applied IFRS 16 on 1 March 2019, using the modified retrospective approach. Comparatives are not restated under this approach.
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 contract, 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.

ANNEXURE A – DETAILED ACCOUNTING POLICIES

for the year ended 28 February 2019

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, 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.

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. GROUP FINANCIAL STATEMENTS (continued)

3.3 Accounting for the group's acquisition of the controlling interest in subsidiaries under common control

The IFRS on business combinations (IFRS 3) 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.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

3.4 Joint arrangements

The group has applied IFRS 11 to all joint arrangements as of 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. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group.

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 do 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 chief executive officer, 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.

ANNEXURE A – DETAILED ACCOUNTING POLICIES

for the year ended 28 February 2019

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.

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:

	2019		2018	
	Average	Closing	Average	Closing
British pound	**17.84**	**18.60**	17.17	16.27
United States dollar	**13.54**	**14.00**	13.09	11.75

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.

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.

6. PROPERTY AND EQUIPMENT (continued)

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/associated company or joint venture undertaking at the date of acquisition. Goodwill is reported in the statement of financial position as an intangible asset. Goodwill on acquisition of associated companies is included in investments in associated companies. 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 deferred acquisition cost 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.

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.

ANNEXURE A – DETAILED ACCOUNTING POLICIES

for the year ended 28 February 2019

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 the smallest group of assets that generate cash inflows from continuing use that are largely dependent on cash inflows of other assets or groups of assets (the cash-generating unit). 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

On 1 March 2018, the group and company adopted IFRS 9 retrospectively without restating comparative figures or disclosures. The group and company's comparative information is therefore presented in accordance with the requirements of IAS 39, whereas the current year has been aligned to the requirements of IFRS 9.

10.1 Classification under IFRS 9

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

Upon adoption of IFRS 9, the group and company has no equity instruments that have been elected to be measured 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.

10. FINANCIAL ASSETS (continued)

10.2 Classification under IAS 39

Under IAS 39, financial assets within the group and company were classified either as:

- Fair value through profit or loss being financial assets held for trading and designated at fair value through profit or loss at inception; or
- Loans and receivables, measured at amortised cost.

10.3 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 is recognised and disclosed separately in the income statement.

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 price-earnings 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 effective yield base.

The group does not apply hedge accounting.

10. FINANCIAL ASSETS (continued)

10.4 Impairment of financial assets under IFRS 9

From 1 March 2018, 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.

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.

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.

10.5 Impairment of financial assets under IAS 39

Financial assets carried at amortised cost were subjected to IAS 39's incurred loss impairment model.

10.6 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.

10.7 Investment in investment contracts

These are valued at fair value or amortised cost, if issued by an independent credible party, or at the value of the underlying investments supporting the investment contract policy adjusted for applicable liquidity or credit risk. 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 and 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 IFRS9, 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 and subsequently measured in terms of IFRS 4.

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 ETFs. The client pays an initial margin of between 15% (for JSE Top 100 shares) and 17.5% (for all other shares, including Satrix ETFs) 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 intra-day 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 intra-day 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.
- Commercial insurance, providing cover on the assets and liabilities of business enterprises.

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.

16. INSURANCE CONTRACTS (continued)

Short-term insurance (continued)

Recognition and measurement (continued)

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.

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.

16. INSURANCE CONTRACTS (continued)

Short-term insurance (continued)

Recognition and measurement (continued)

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.

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 circumstances.

ANNEXURE A – DETAILED ACCOUNTING POLICIES

for the year ended 28 February 2019

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.

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. FINANCIAL LIABILITIES (continued)

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.

17.4 Financial guarantee contracts

Financial guarantee contracts issued by the group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when it becomes due in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised initially at fair value.

Subsequently, the contract is measured at the higher of the amount determined in accordance with the expected credit loss model under IFRS 9, and the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15.

Prior to the adoption of IFRS 9, the financial guarantee contracts were measured at the higher of the amount determined in accordance with IAS 37 and the amount initially recognised less cumulative amortisation recognised in accordance with IAS 18, unless it was designated as at fair value through profit or loss at inception and measured as such.

Financial guarantees are derecognised when the obligation is extinguished, expires or is transferred.

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 26 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 special-purpose entity 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.

ANNEXURE A – DETAILED ACCOUNTING POLICIES

for the year ended 28 February 2019

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.

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.

In respect of temporary differences arising from the fair value adjustments on investment properties, deferred taxation is provided at the capital gains effective rate, as it is assumed that the carrying value will be recovered through sale.

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, associated companies 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 Dividends 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 various equity-settled share-based compensation schemes.

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 and the assumptions used to determine the fair value are detailed in note 11 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 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 in order 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.

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. PROVISIONS, CONTINGENT LIABILITIES AND ASSETS (continued)

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

24.1 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated, any payment required by the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

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 RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for services rendered in the ordinary course of the group's activities, as well as interest and dividend income. 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.

27.1 Revenue from contracts with customers under IFRS 15

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.
		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.
		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 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 recognised when the services are rendered, in accordance with the substance of the relevant agreements.
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.

27. REVENUE RECOGNITION (continued)

27.1 Revenue from contracts with customers under IFRS 15 (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. For each performance obligation over time, the group and company apply a 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, 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 key performance indicators. 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.

27.2 Revenue from the rendering of services under IAS 18

The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion of services, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known to management.

Fee income is recognised when the relevant company in the group is unconditionally entitled thereto. No profit is recognised when the outcome of a transaction cannot be estimated reliably. Fee income from the rendering of services can be summarised as follows:

Commissions, dealings and structuring

Revenue arising from advisory, stockbroking, portfolio management and brokerage activities is recognised in the accounting period in which the services are rendered with reference to completion of the specific transaction.

Investment management fees and initial fees

Charges for asset management services are paid by its customers using the following different approaches:

- Front-end fees are charged to the client on inception. This approach is used particularly for single-premium contracts. The consideration received is deferred as a liability and recognised over the life of the contract on a straight-line basis.
- Regular fees are charged to the customer by making a deduction from invested funds. Regular charges billed in advance are recognised on a straight-line basis over the billing period; fees charged at the end of the period are accrued as a receivable that is offset against the financial liability when charged to the customer.

27.3 Investment income

Revenue type	Description	Recognition and measurement
Investment income (for financial instruments, recognised under IFRS 9/IAS 39)	Dividend and interest income	***Dividend income:*** Recognised when the right to receive payment is established. Dividend income is disclosed separately in the income statement.
		Interest income: • For financial instruments measured at fair value through profit or loss – recognised within interest income on fair value through profit or loss financial instruments. • For financial instruments measured at amortised cost – recognised using the effective-interest method. Disclosed as interest income on amortised cost financial instruments in the income statement.

ANNEXURE A – DETAILED ACCOUNTING POLICIES

for the year ended 28 February 2019

28. 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.

29. 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.

29.1 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 34.

29.2 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 R25.9 billion (2018: R24.3 billion).

29.3 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.

29. OTHER ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

29.3 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 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.

29.4 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 2019 (28 February 2018: P1(ZA)). 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 2019

INVESTMENT IN SUBSIDIARIES

Subsidiary	Country of incorporation	Nature of business
PSG Wealth Holdings Proprietary Limited	**South Africa**	**Investment holding company**
PSG Wealth Group Services Proprietary Limited	South Africa	Provision for corporate financial administrative and advisory services
PSG Securities Limited	South Africa	Stockbroking
PSG Scriptfin Proprietary Limited	South Africa	Securitised lending business
PSG Fixed Income and Commodities Proprietary Limited	South Africa	Trading of fixed income instruments
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 Optimum Proprietary Limited	South Africa	Investment management, insurance and investment brokers, financial planning and advice
PSG Nylstroom Proprietary Limited	South Africa	Investment management, insurance and investment brokers, financial planning and advice
PSG Warmbad Proprietary Limited[2]	South Africa	Investment management, insurance and investment brokers, financial planning and advice
PSG Potgietersrus Proprietary Limited[2]	South Africa	Investment management, insurance and investment brokers, financial planning and advice
PSG Ellisras Proprietary Limited[2]	South Africa	Investment management, insurance and investment brokers, financial planning and advice
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	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	South Africa	Property investment company
Western Administration Services Proprietary Limited	South Africa	Group administration services
Western Insurance Botswana Proprietary Limited	Botswana	Short-term insurance company
Western Life Insurance Botswana Proprietary Limited	Botswana	Long-term insurance company
Western National Engineering Insurance Proprietary Limited	South Africa	Short-term underwriting 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

Effective interest held directly or indirectly[1]		Issued stated/share capital		Cost of investment	
2019 %	2018 %	2019 R	2018 R	2019 R000	2018 R000
100	100	508 999 120	508 999 120	495 225	495 225
100	100	100	100	–	–
100	100	4 738	4 738	–	–
100	100	200	200	–	–
100	100	95 827	95 827	–	–
100	100	121	121	–	–
100	100	305 500	305 500	–	–
100	100	20 500 100	20 500 100	–	–
100	100	816 486 372	766 486 372	599 775	549 775
100	100	113	112	–	–
51	51	200	200	–	–
51	51	200	200	–	–
26	26	200	200	–	–
36	36	116 500	116 500	–	–
26	26	500	500	–	–
100	100	111	111	–	–
74	74	1 962	1 962	–	–
74	74	100	100	–	–
74	74	100	100	–	–
58	58	300 000	300 000	–	–
100	100	103	102	230 604	176 714
100	60	80 540 386	134 233 976	–	–
100	60	146 600	146 600	–	–
60	60	810	810	–	–
100	60	100	100	–	–
100	60	101	101	–	–
100	60	200	200	–	–
100	60	2	2	–	–
100	60	2	2	–	–
65	39	100	100	–	–
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	2 088 190	2 088 190	–	–
100	100	2 086 864	2 086 864	–	–

ANNEXURE B – INTERESTS IN SUBSIDIARIES

for the year ended 28 February 2019

INVESTMENT IN SUBSIDIARIES (continued)

Subsidiary	Country of incorporation	Nature of business
Other		
PSG Management Services Proprietary Limited	South Africa	Provision of corporate financial administrative and advisory services
PSG Brokers (UK) Limited	United Kingdom	Investment management, insurance and investment brokers, financial planning and advice
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[3]
PSG Konsult (Mauritius) Limited	Mauritius	Investment holding company

[1] *Ownership interest equal voting rights.*

[2] *Although effective interest held is below 50%, the group controls these entities as the group is involved in the day-to-day running of these businesses, its strategies and has the ability to effect the returns generated by these entities.*

[3] *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, Cinetaur Proprietary Limited, PSG Konsult Securities Proprietary Limited, PSG Konsult Nucleus Proprietary Limited, PSG Konsult Verre-Noord Proprietary Limited, PSG Konsult Commercial Division Proprietary Limited, NFA Proprietary Limited, Utrade Nominees Proprietary Limited, Marled 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	
2019 %	2018 %	2019 R	2018 R	2019 R000	2018 R000
100	100	**100**	100	**–**	–
100	100	**2 882**	2 882	**–**	–
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
				1 678 138	1 574 248

ANNEXURE B – INTERESTS IN SUBSIDIARIES

for the year ended 28 February 2019

CONSOLIDATED COLLECTIVE INVESTMENT SCHEMES

At 28 February 2019 and 28 February 2018, 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 2019 %	2018 %	2019 R000	2018 R000
PSG Diversified Income Fund	South African – Multi Asset – Income	PSG Asset Management Proprietary Limited	**33**	45	**562 707**	645 688
PSG Multi-Management Foreign Flexible Fund of Funds	Global – Multi Asset – Flexible	PSG Multi Management Proprietary Limited	**N/A**	32	**N/A**	105 623
PSG Income Fund	South African – Interest Bearing – Short-term	PSG Asset Management Proprietary Limited	**38**	40	**82 197**	73 395
PSG Money Market Fund	South African – Interest Bearing – Money Market	PSG Asset Management Proprietary Limited	**49**	N/A	**1 654 950**	N/A
PSG Wealth Enhanced Interest Fund	South African – Interest Bearing – Short-term	PSG Multi Management Proprietary Limited	**33**	38	**1 084 732**	1 006 323
PSG Wealth Creator Fund of Funds	South African – Equity – General	PSG Multi Management Proprietary Limited	**38**	39	**2 728 034**	2 028 127
PSG Wealth Moderate Fund of Funds	South African – Multi Asset – High equity	PSG Multi Management Proprietary Limited	**32**	34	**6 485 935**	6 018 505
PSG Wealth Income Fund of Funds	South African – Multi Asset – Income	PSG Multi Management Proprietary Limited	**N/A**	31	**N/A**	868 052
PSG Wealth Global Creator Feeder Fund	Global – Equity – General	PSG Multi Management Proprietary Limited	**32**	30	**1 701 081**	1 408 863
PSG Wealth Global Preserver Feeder Fund	Global – Multi Asset – Low Equity	PSG Multi Management Proprietary Limited	**36**	N/A	**266 758**	N/A

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 2019 %	Western Group 2018 %	Employee Benefits 2019 %	Employee Benefits 2018 %
Ownership and voting rights	**40**	40	**26**	26

	Carrying value of NCI 2019 R000	Carrying value of NCI 2018 R000	Profit or loss attributable to NCI 2019 R000	Profit or loss attributable to NCI 2018 R000	Dividends paid to NCI 2019 R000	Dividends paid to NCI 2018 R000
Western Group	**205 075**	212 605	**33 867**	38 851	**–**	–
Employee Benefits	**12 716**	12 229	**2 991**	2 991	**(2 860)**	(3 770)
Other[1]	**7 517**	10 820	**3 512**	4 333	**(4 308)**	(4 395)
Total	**225 308**	235 654	**40 370**	46 175	**(7 168)**	(8 165)

[1] *Includes information relating to PSG Namibia Proprietary Limited, PSG Optimum Proprietary Limited, PSG Holdings Limited (Mauritius) and PSG Konsult Insurance Solutions Proprietary Limited.*

Summarised financial information	Western Group 2019 R000	Western Group 2018 R000	Employee Benefits 2019 R000	Employee Benefits 2018 R000
Statement of financial position				
Current assets	**841 045**	707 987	**37 810**	30 272
Non-current assets	**459 497**	455 135	**27 675**	29 143
Current liabilities	**(735 796)**	(632 219)	**(13 041)**	(8 817)
Non-current liabilities	**(4 743)**	(4 758)	**(3 434)**	(3 460)
Net assets	**560 003**	526 145	**49 010**	47 138
Statement of comprehensive income				
Revenue	**1 104 412**	1 075 977	**122 621**	112 003
Profit for the year	**87 451**	97 515	**12 873**	11 507
Total comprehensive income	**87 451**	97 515	**12 873**	11 507
Statement of cash flows				
Cash flows from operating activities	**91 001**	50 668	**17 057**	13 291
Cash flows from investing activities	**2 531**	2 059	**(247)**	(2 953)
Cash flows from financing activities	**3 356**	1 373	**(11 000)**	(14 500)
Net increase/(decrease) in cash and cash equivalents	**96 888**	54 100	**5 810**	(4 162)

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 24 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 – INTERESTS IN JOINT VENTURES

for the year ended 28 February 2019

INVESTMENT IN JOINT VENTURES

Company	Nature of business	Proportion held directly or indirectly by holding companies 2019 %	2018 %	Group carrying value 2019 R000	2018 R000
Unlisted					
Jan Jonker Property Investment Trust[1]	Property investment	**50**	50	**1 525**	1 094

[1] *Jan Jonker Property Investment Trust is incorporated in Namibia.*

Jan Jonker Property Investment Trust is a privately held trust and there is no quoted market price available for its ownership held.

Summarised financial information for joint ventures

Set out below is the summarised financial information for Jan Jonker Property Investment Trust which is accounted for using the equity method:

	2019 R000	2018 R000
Statement of financial position		
Total current assets	**1 064**	925
Total current liabilities	**(434)**	(410)
Total non-current assets	**25 731**	25 982
Total non-current liabilities	**(23 605)**	(20 773)
Net assets	**2 756**	5 724
Statement of comprehensive income		
Revenue	**1 996**	2 278
Interest expense	**(1 957)**	(1 282)
Income tax expense	**–**	(222)
Profit/(loss) for the year	**861**	(167)
Total comprehensive income/(loss) for the year	**861**	(167)
Dividend received from joint venture	**–**	–

The information disclosed above reflects the amounts presented in the financial statements of Jan Jonker Property Investment Trust, adjusted for differences in accounting policies, and not the group's share of those amounts.

There are no contingent liabilities or commitments relating to the group's interest in the joint venture. There are also no significant restrictions on the joint venture's ability to transfer funds in the form of cash for the repayment of loans made to the joint venture or to pay dividends.

Further details of the investment are available at the registered office of the relevant group company.

ANNEXURE D – GLOSSARY

for the year ended 28 February 2019

ACI	African, coloured and Indian
AGM	Annual general meeting
AIFA	Absa Insurance and Financial Advisers Proprietary Limited
ALSI	All Share Index
APN	Advisory Practice Note
AQRate	AQRate Proprietary Limited
ASISA	Association for Saving 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
COBIT	Control Objectives for Information and Related Technology
CODM	Chief operating decision-maker
Companies Act	Companies Act, No. 71 of 2008, as amended
COO	Chief operating officer
CRM	Client 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
ECL	Expected credit loss
ETF	Exchange traded fund
Exco	Executive committee
EY	Ernst & Young
FICA	Financial Intelligence Centre Act, No. 38 of 2001
FPI	Financial Planning Institute of Southern Africa
FSB	Financial Services Board
FSCA	Financial Sector Conduct Authority
FSV	Financial soundness valuation
FTSE	Financial Times Stock Exchange
FVTPL	Fair value through profit or loss
GCR	Global Credit Rating Co.
GFSC	Guernsey Financial Services Commission
HEPS	Headline earnings per share
HR	Human resources
IASB	International Accounting Standard Board
IBNR	Incurred but not reported
IC framework	Increased control framework
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IIA	Institute of Internal Auditors

ANNEXURE D – GLOSSARY

for the year ended 28 February 2019

IIRC	International Integrated Reporting Council
Income Tax Act	Income Tax Act, No. 58 of 1962
Insurance Act	Insurance Act, No. 18 of 2017
IT	Information technology
JSE	Johannesburg Stock Exchange
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
NED	Non-executive director
NPAT	Net profit after tax
NSX	Namibian Stock Exchange
ORSA	Own Risk and Solvency Assessment
OTC	Over-the-counter
PA	Prudential Authority
PE ratio	Price-earnings ratio
PPR	Policyholder Protection Rules
PSG Konsult Treasury	PSG Konsult Treasury Limited
PSG Life	PSG Life Limited
RDR	Retail Distribution Review
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
SETA	Skills Education Training Authority
SLA	Service level agreement
SME	Small and medium-sized enterprises
SPE	Special-purpose entity
ST	Short-term
STEM	Science, technology, engineering and maths
TCF	Treating Customers Fairly
TRI	Total return index
UCITS	Undertakings for the Collective Investment of Transferable Securities
UK	United Kingdom
USA/US	United States of America
VWAP	Volume-weighted average market 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

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

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

Auditor
PricewaterhouseCoopers Inc.
Cape Town

Attorneys
DLA Cliffe Dekker Hofmeyr
Blake Bester
AO Hall (Guernsey)

Transaction adviser and sponsor – JSE
PSG Capital 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
(PO Box 61051, Marshalltown, 2107)

Tel: 011 373 0000
Fax: 011 688 5200

SHAREHOLDER DIARY

Financial year-end	28 February
Financial half year	31 August
Financial reporting	
Annual general meeting	Friday, 26 July 2019
Announcement of interim results	Thursday, 10 October 2019
Final dividend	
• Declared	17 April 2019
• Paid	13 May 2019

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