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PSG Konsult

Notice of annual general meeting 2020

PSG Konsult

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NOTICE OF ANNUAL GENERAL MEETING

FOR THE YEAR ENDED 29 FEBRUARY 2020

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

SALIENT FEATURES

↑ 8% Recurring headline earnings per share
to 48.1 cents
2019: 44.6 cents | **2018:** 43.0 cents

↑ 22% Gross written premium[1]
to R5.5bn
2019: R4.5bn | **2018:** R3.3bn

↑ 3 Number of advisers
to 935
2019: 932 | **2018:** 784

↑ 3% Total assets under management
to R230bn
2019: R222bn | **2018:** R205bn

↑ 10% Dividend per share
to 22.5 cents
2019: 20.5 cents | **2018:** 18.0 cents

↓ 6% Total assets under administration
to R397bn
2019: R422bn | **2018:** R402bn

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[1] *Includes gross written premiums on policies administered by the Insure distribution advisers, which are placed with third-party insurers. The group earns commission and administration fees on this. It excludes the short-term administration platform gross written premium.*

CONTENTS

PSG Konsult

Incorporated in the Republic of South Africa
Registration number: 1993/003941/06
JSE Share Code: KST
NSX Share Code: KFS
SEM Share Code: PSGK.N0000
ISIN Code: ZAE000191417
LEI Code: 378900ECF3D86FD28194
(PSG Konsult or the company)

LETTER TO SHAREHOLDERS

Notice is hereby given in terms of sections 61 and 62 of the South African Companies Act, 71 of 2008, as amended (the Companies Act), of the annual general meeting of shareholders of PSG Konsult to be held on Monday, 13 July 2020 at 12:00, by way of electronic participation only (the AGM).

Notice is also given in terms of section 31(1) of the Companies Act to every person who holds, or has a beneficial interest in, any securities issued by the company (a holder) of the publication of the annual financial statements of the company and its subsidiaries (the group) for the financial year ended 29 February 2020.

Included with this notice are the summarised financial statements of the group for the financial year ended 29 February 2020, which are consistent with the complete audited annual financial statements.

A copy of the complete annual financial statements and of the summarised financial statements of the group for the financial year ended 29 February 2020 may be obtained by a holder, without charge, as follows:

1. by downloading a copy of the annual financial statements or summarised financial statements from the company's website at www.psg.co.za; or
2. by requesting a copy of the annual financial statements or summarised financial statements by any of the following means:
   a. email to company.secretary@psg.co.za; or
   b. from PSG Capital.

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(On behalf of the company secretary, PSG Management Services Proprietary Limited)

9 June 2020

4th Floor, The Edge, 3 Howick Close, Tyger Waterfront, Tyger Valley, Bellville, Cape Town 7530
Tel: +27(21) 918 7800 | company.secretary@psg.co.za | www.psg.co.za

PSG KONSULT LIMITED Registration no. 1993/003941/06
Directors: PE Burton*, ZL Combi*, J de V du Toit*, FJ Gouws (CEO), ZRP Matsau*, PJ Mouton^, TC Issacs*, AH Sangqu*, MIF Smith (CFO), W Theron^ (chairman)
Company secretary: PSG Management Services Proprietary Limited
* *Independent non-executive*
^ *Non-executive*

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NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given of the AGM of shareholders of PSG Konsult to be held on Monday, 13 July 2020 at 12:00, by way of electronic participation only.

IMPACT OF COVID-19 ON THE AGM

As a consequence of the impact of the COVID-19 pandemic, limitations are placed on public gatherings under the Disaster Management Act, 57 of 2002. As a socially responsible corporate citizen, PSG Konsult will conduct the AGM entirely by way of electronic participation, in accordance with the provisions of section 63(2) of the Companies Act and the Listings Requirements of the JSE Limited (the "JSE") as read with the company's memorandum of incorporation.

PURPOSE

The purpose of the AGM is to transact the business set out in the agenda below.

ELECTRONIC ATTENDANCE AND PARTICIPATION

1. PSG Konsult has retained the services of the transfer secretaries, being Computershare Investor Services Proprietary Limited to host the AGM on an interactive platform, in order to facilitate electronic participation and voting by shareholders.

   Any shareholder (or a representative or proxy for a shareholder) who wishes to participate in and/or vote at the AGM by way of electronic participation, must either:

   - register online using the online registration portal at www.smartagm.co.za, prior to the commencement of the AGM; or
   - contact Computershare by sending an email to proxy@computershare.co.za by 12:00 on Thursday, 9 July 2020 and for shareholders on the Mauritian share register to email the Mauritian transfer agent, Intercontinental Secretarial Services Limited at corpsecSA@intercontinentaltrust.com by 14:00 (Mauritius Time) on Thursday, 9 July 2020, in order for the transfer secretaries to arrange such participation for the shareholder and for the transfer secretaries to provide the shareholder with the details as to how to access the AGM by means of electronic participation. Shareholders may still register/apply to participate in and/or vote electronically at the AGM after this date, provided, however, that those shareholders are verified (as required in terms of section 63(1) of the Companies Act) and are registered at the commencement of the AGM.

   All shareholders are entitled to attend and participate via the use of the electronic platform.

   In terms of section 63(1) of the Companies Act, any person participating in the AGM must present reasonably satisfactory identification and the person presiding at the AGM must be reasonably satisfied that the right of any person to participate in and vote (whether as a shareholder or as a representative or proxy for a shareholder) has been reasonably verified. Shareholders of the Company who wish to participate in the AGM electronically should provide such identification when making application to so participate.

2. The cost of electronic participation in the AGM is for the expense of the participant and will be billed separately by the participant's own service provider.

3. The participant acknowledges that the electronic communication services are provided by third parties and indemnifies the company against any loss, injury, damage, penalty or claim arising in any way from the use or possession of the electronic services, whether or not the problem is caused by any act or omission on the part of the participant or anyone else. In particular, but not exclusively, the participant acknowledges that he/she will have no claim against the company, whether for consequential damages or otherwise, arising from the use of the electronic services or any defect in it or from total or partial failure of the electronic services and connections linking the participant via the electronic services to the AGM.

   The company cannot guarantee there will not be a break in electronic communication that is beyond the control of the company.

ELECTRONIC VOTING AND PROXIES

1. The date on which shareholders must be recorded as such in the share register maintained by the transfer secretaries of the company (share register) for purposes of being entitled to receive this notice is Friday, 29 May 2020.
2. The date on which shareholders must be recorded in the share register for purposes of being entitled to attend and vote at this AGM is Friday, 3 July 2020, with the last day to trade being Tuesday, 30 June 2020.
3. Certificated shareholders, own-name dematerialised shareholders and shareholders on the Mauritian share register, and who are entitled to attend and vote at the AGM, may appoint one or more proxies to attend, participate and vote thereat in their stead. A proxy need not be a shareholder of the company. A form of proxy, containing the relevant instructions for its completion, is enclosed for the use of such shareholders who wish to be represented at the AGM. Completion of a form of proxy will not preclude such shareholder from attending and voting (in preference to that shareholder's proxy) at the AGM. Forms of proxy must be completed and lodged at or posted to the transfer secretaries, Computershare Investor Services Proprietary Limited (Rosebank Towers, 15 Biermann Avenue, Rosebank 2196 or Private Bag X9000, Saxonwold 2132), or emailed to them at proxy@computershare.co.za, so as to be received by the transfer secretaries by not later than 12:00 on Thursday, 9 July 2020, provided that forms of proxy of shareholders on the Mauritian share register must be completed and lodged at or posted to the Mauritius registrar and transfer agent, Intercontinental Secretarial Services Limited (Level 3, Alexander House, 35 Cybercity, Ebene 72201, Mauritius), or emailed to them at corpsecSA@intercontinentaltrust.com, so as to be received by the registrar and transfer agent by not later than 14:00 (Mauritius Time) on Thursday, 9 July 2020. Notwithstanding the above, any form of proxy not delivered to Computershare Investor Services Proprietary Limited or, in the case of shareholders on the Mauritian share register, not delivered to Intercontinental Secretarial Services Limited by these times may be emailed to the company secretary at company.secretary@psg.co.za, at any time before the appointed proxy exercises any shareholder rights at the AGM.
4. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who wish to attend the AGM in person will need to request their central securities depository participant (CSDP) or broker to provide them with the necessary authority in terms of the custody agreement entered into between such shareholder and the CSDP or broker. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who are unable to attend the AGM and who wish to be represented thereat, must provide their CSDP or broker with their voting instructions in terms of the custody agreement entered into between themselves and the CSDP or broker in the manner and time stipulated. Such shareholders should contact their CSDP or broker with regard to the cut-off time for their voting instructions.
5. Shareholders who are participating via the electronic platform or by proxy at the AGM shall have one vote for every share held or represented.
6. Save where otherwise indicated, all times reflected in this notice and in the accompanying form of proxy, refer to South African Standard Time.

AGENDA

- Presentation of the audited annual financial statements of the company, including the reports of the directors and the audit committee for the year ended 29 February 2020. The complete audited annual financial statements, including the unmodified audit opinion, is available on the company's website at www.psg.co.za, and may be requested and obtained, at no charge, from the company at company.secretary@psg.co.za and from PSG Capital.
- To consider and, if deemed fit, approve, with or without modification, the ordinary and special resolutions set out below.

Note:

For ordinary resolutions numbers 1 to 9 (inclusive),11 and 12 to be adopted, more than 50% of the voting rights exercised on the applicable ordinary resolution must be exercised in favour thereof. For ordinary resolution number 10 and for special resolutions numbers 1 to 4 (inclusive) to be adopted, at least 75% of the voting rights exercised on the applicable resolution must be exercised in favour thereof.

1. CONFIRMATION OF THE APPOINTMENT OF DIRECTORS

1.1 Ordinary resolution number 1

"Resolved that the appointment of Mr AH Sangqu by the board as an independent non-executive director of the company with effect from 1 January 2020 be and is hereby confirmed."

A summary curriculum vitae of Mr AH Sangqu (Andile)

Andile has spent a period of over 20 years working in management positions at several major South African corporations and has also served on a number of JSE listed company boards. Andile was the Executive Head of Anglo American South Africa until 31 December 2019. His expertise and practical exposure span areas such as general management, finance, accounting, tax administration and management of companies in diverse industries including broadcasting, insurance, mining, the food industry and financial sectors. Andile serves as an independent non-executive director of Tongaat Hulett and is Executive in Residence at the Gordon Institute of Business Science in Johannesburg.

1.2 Ordinary resolution number 2

"Resolved that the appointment of Ms TC Isaacs by the board as an independent non-executive director of the company with effect from 1 January 2020 be and is hereby confirmed."

A summary curriculum vitae of Ms TC Isaacs (Tamara)

Tamara has over 18 years' professional services experience, most recently as the partner in charge of the management consulting practice for KPMG in Cape Town. Tamara started her career at PricewaterhouseCoopers Inc. where she spent over a decade and ascended to the position of audit partner at the firm's Cape Town office. Tamara consults independently, with a specific interest in post-matric education. She is a trustee and working committee member for Mitchells Plain Bursary and Role Models Trust, a scholarship fund which aims to improve outcomes for students from Mitchells Plain and Philippi. Tamara is a board member of Cape Innovation and Technology Initiative and also chairperson of the Sakhumzi Empowerment Trust. Tamara was recently appointed as chairperson of the University of Cape Town's School of Accounting Advisory Board.

The reason for ordinary resolutions 1 and 2 (inclusive) is that the memorandum of incorporation of the company and the Listings Requirements of the JSE (JSE Listings Requirements) require that any director appointed by the board of the company be confirmed by the shareholders at the next AGM of the company.

2. RETIREMENT AND RE-ELECTION OF DIRECTORS

2.1 Ordinary resolution number 3

"Resolved that Mr W Theron, who retires by rotation in terms of the memorandum of incorporation of the company, being eligible and offering himself for re-election, be and is hereby re-elected as director."

A summary curriculum vitae of Mr W Theron (Willem)

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.

Appointed to the PSG Konsult Limited board on 1 March 1998.

2.2 Ordinary resolution number 4

"Resolved that Mr J de V du Toit, who retires by rotation in terms of the memorandum of incorporation of the company, being eligible and offering himself for re-election, be and is hereby re-elected as director."

A summary curriculum vitae of Mr J de V du Toit (Jaap)

Jaap started his career at the Trust Building Society in 1884 and thereafter joined Senekal, Mouton & Kitshoff Securities in 1988. He co-founded both PSG Group Limited in 1996 and PSG Konsult Limited in 1998. Previously, Jaap was a board member of PSG Group Limited and chairman of PSG Konsult Limited (1998 – 2013). He is a board member of PSG Konsult Limited and the chairman of KAP Industrial Holdings Limited and 12Cape Limited.

Appointed to the PSG Konsult Limited board on 17 August 1998.

The reason for ordinary resolutions numbers 3 to 4 (inclusive) is that the memorandum of incorporation of the company, the JSE Listings Requirements and, to the extent applicable, the Companies Act, require that a component of the non-executive directors rotate at every AGM of the company and, being eligible, may offer themselves for re-election as directors.

3. APPOINTMENT OF THE MEMBERS OF THE AUDIT COMMITTEE

3.1 Ordinary resolution number 5

"Resolved that Mr PE Burton, being eligible, be and is hereby reappointed as a member of the audit committee of the company, as recommended by the board of directors of the company, until the next AGM of the company."

A summary curriculum vitae of Mr PE Burton (Patrick)

Patrick served at Moores Rowland Chartered Accountants for 8 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.

3.2 Ordinary resolution number 6

"Resolved that Mr J de V du Toit, subject to the approval of ordinary resolution 4, being eligible, be and is hereby reappointed as a member of the audit committee of the company, as recommended by the board of directors of the company, until the next AGM of the company."

A summary curriculum vitae of Mr J de V du Toit is set out in paragraph 2.2 above.

3.3 Ordinary resolution number 7

"Resolved that Mr ZL Combi, being eligible, be and is hereby reappointed as a member of the audit committee of the company, as recommended by the board of directors of the company, until the next AGM of the company."

A summary curriculum vitae of Mr ZL Combi (KK)

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 in South Africa and serves on the boards of various listed and unlisted companies, including Curro Holdings Limited and he is chairman of PSG Group Limited. KK was previously the executive chairman of Thembeka Capital (RF) Limited.

3.4 Ordinary resolution number 8

"Resolved that Ms ZRP Matsau, being eligible, be and is hereby reappointed as a member of the audit committee of the company, as recommended by the board of directors of the company, until the next AGM of the company."

A summary curriculum vitae of Ms ZRP Matsau (Zodwa)

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

The reason for ordinary resolutions numbers 5 to 8 (inclusive) is that the company, being a public company listed on the JSE, must appoint an audit committee and the Companies Act requires that the members of such audit committee be appointed, or reappointed, as the case may be, at each AGM of a company.

4. REAPPOINTMENT OF AUDITOR

Ordinary resolution number 9

"Resolved that PricewaterhouseCoopers Inc. be and is hereby reappointed as auditor of the company for the ensuing financial year or until the next AGM of the company, whichever is the later, with the designated auditor being Mr RA Botha, a registered auditor and partner in the firm, on the recommendation of the audit committee of the company."

The reason for ordinary resolution number 9 is that the company, being a public company listed on the JSE, must have its financial results audited and such auditor must be appointed or reappointed, as the case may be, each year at the AGM of the company as required by the Companies Act and the JSE Listings Requirements.

5. GENERAL AUTHORITY TO ISSUE ORDINARY SHARES FOR CASH

Ordinary resolution number 10

"Resolved that the directors of the company be and are hereby authorised, by way of a general authority, to allot and issue any of the company's unissued shares for cash as they in their discretion may deem fit, without restriction, subject to the provisions of the company's memorandum of incorporation, the Companies Act and the JSE Listings Requirements, provided that:

- the approval shall be valid until the date of the next AGM of the company, provided it shall not extend beyond 15 months from the date of this resolution;
- the general issues of shares for cash under this authority may not exceed, in the aggregate, 5% of the company's issued share capital (number of securities) of that class as at the date of this notice of AGM, it being recorded that ordinary shares issued pursuant to a rights offer to shareholders or shares issued in connection with the PSG Konsult Group Share Incentive Trust (the Trust) or options granted by the Trust in accordance with the JSE Listings Requirements shall not diminish the number of ordinary shares that comprise the 5% of the ordinary shares that can be issued in terms of this ordinary resolution. As at the date of this notice of AGM, 5% of the company's issued ordinary share capital (excluding treasury shares) amounts to 66 995 898 ordinary shares;
- in determining the price at which an issue of shares will be made in terms of this authority, the maximum discount permitted will be 10% of the weighted average traded price of such shares, as determined over the 30 business days prior to the date that the price of the issue is agreed between the company and the party subscribing for the securities. The JSE will be consulted for a ruling if the securities have not traded in such 30-business-day period;
- any such issue will only be made to public shareholders as defined in paragraphs 4.25 to 4.27 of the JSE Listings Requirements and not to related parties;
- any such issue will only comprise securities of a class already in issue or, if this is not the case, will be limited to such securities or rights that are convertible into a class already in issue; and
- in the event that the securities issued represent, on a cumulative basis, 5% or more of the number of securities in issue prior to that issue, an announcement containing the full details of such issue shall be published on the SENS of the JSE."

For listed entities wishing to issue shares for cash (other than issues by way of rights offers and/or in connection with duly approved share incentive schemes), it is necessary for the board to obtain the prior authority of the shareholders in accordance with the JSE Listings Requirements and the memorandum of incorporation of the company.

The reason for ordinary resolution number 10 is accordingly to obtain a general authority from shareholders to issue shares for cash in compliance with the JSE Listings Requirements and the memorandum of incorporation of the company.

For this resolution to be adopted, at least 75% of the voting rights exercised, whether in person or by proxy, must be cast in favour of this resolution.

6. NON-BINDING ADVISORY VOTE ON PSG KONSULT'S REMUNERATION POLICY

Ordinary resolution number 11

"Resolved that the company's remuneration policy, as set out on pages 12 to 17 of this notice, be and is hereby endorsed by way of a non-binding advisory vote."

The reason for ordinary resolution number 11 is that the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV)* recommends, and the JSE Listings Requirements require, that the remuneration policy of a company be tabled for a non-binding advisory vote by shareholders at each AGM of the company. This enables shareholders to express their views on the remuneration policy adopted. The effect of ordinary resolution number 11, if passed, will be to endorse the company's remuneration policy. Ordinary resolution number 11 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration agreements. However, the board will take the outcome of the vote into consideration when considering amendments to the company's remuneration policy.

7. NON-BINDING ADVISORY VOTE ON PSG KONSULT'S IMPLEMENTATION REPORT ON THE REMUNERATION POLICY

Ordinary resolution number 12

"Resolved that the company's implementation report in respect of its remuneration policy, as set out on pages 18 to 21 of this notice, be and is hereby endorsed by way of a non-binding vote."

The reason for ordinary resolution number 12 is that King IV recommends that the implementation report on a company's remuneration policy be tabled for a non-binding advisory vote by shareholders at each AGM of the company. This enables shareholders to express their views on the implementation of a company's remuneration policy. The effect of ordinary resolution number 12, if passed, will be to endorse the company's implementation report in relation to its remuneration policy. Ordinary resolution number 12 is of an advisory nature only and failure to pass this resolution will therefore not have any legal consequences relating to existing remuneration agreements. However, the board will take the outcome of the vote into consideration when considering amendments to the company's remuneration policy and its implementation.

Should 25% or more of the votes exercised in respect of ordinary resolution number 11 or ordinary resolution number 12 be against either resolution, or both resolutions, the company will issue an invitation to those shareholders who voted against the applicable resolution to engage with the company.

8. REMUNERATION OF NON-EXECUTIVE DIRECTORS

Special resolution number 1

"Resolved, as a special resolution in terms of section 66(9) of the Companies Act, that the company be and is hereby authorised to remunerate its non-executive directors for their services as directors, which includes serving on various board sub-committees and to make payment of any related fees on the basis set out on the next page (together with value-added tax thereon, to the extent applicable), provided that this authority will be valid until the next AGM of the company."

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	Current annual remuneration (excl. VAT)	Proposed annual remuneration (excl. VAT)
PSG Konsult board		
Chairman	R1 021 000	R1 021 000
Member	R250 000	R250 000
PSG Konsult audit committee		
Chairman	R113 400	R113 400
Member	R68 000	R68 000
PSG Konsult risk committee		
Chairman	R113 400	R113 400
Member	R68 000	R68 000
PSG Konsult remuneration committee		
Chairman	R56 700	R56 700
Member	R34 000	R34 000
PSG Konsult social and ethics committee		
Chairperson	R56 700	R56 700
Member	R34 000	R34 000
PSG Konsult nominations committee		
Chairman	R28 350	R28 350
Member	R17 000	R17 000

In light of current market conditions, the non-executive directors' fees will remain the same as the previous financial year.

The reason for special resolution number 1 is for the company to obtain the approval of shareholders by way of a special resolution for the payment of remuneration to its non-executive directors in accordance with the requirements of the Companies Act.

The effect of special resolution number 1, if passed, will be that the company will be able to pay its non-executive directors for the services they render to the company as directors without requiring further shareholder approval until the next AGM of the company.

9. FINANCIAL ASSISTANCE

9.1 Special resolution number 2: Inter-company financial assistance

"Resolved, as a special resolution in terms of section 45(3)(a)(ii) of the Companies Act, as a general approval, that the board of the company be and is hereby authorised to approve that the company provides any direct or indirect financial assistance ("financial assistance" will herein have the meaning attributed to it in section 45(1) of the Companies Act), that the board of the company may deem fit, to any company or corporation that is related or inter-related ("related" and "inter-related" will herein have the meanings attributed to those terms in section 2 of the Companies Act) to the company, on the terms and conditions and for amounts that the board of the company may determine, provided that the aforementioned approval shall be valid until the date of the next AGM of the company."

The reason for and effect, if passed, of special resolution number 2 is to grant the directors of the company the authority, until the next AGM of the company, to provide direct or indirect financial assistance to any company or corporation which is related or inter-related to the company. This means that the company is, inter alia, authorised to grant loans to its subsidiaries and to guarantee the debt of its subsidiaries.

9.2 Special resolution number 3: Financial assistance for the acquisition of shares in the company or in a related or inter-related company

"Resolved, as a special resolution in terms of section 44(3)(a)(ii) of the Companies Act, as a general approval, that the board of the company be and is hereby authorised to approve that the company provides any direct or indirect financial assistance ("financial assistance" will herein have the meaning attributed to it in sections 44(1) and 44(2) of the Companies Act), that the board of the company may deem fit, to any person including any company or corporation that is related or inter-related to the company ("related" and "inter-related" will herein have the meanings attributed to those terms in section 2 of the Companies Act), and/or to any financier who provides funding by subscribing for preference shares or other securities in the company or in any company or corporation that is related or inter-related to the company, on the terms and conditions and for amounts that the board of the company may determine for the purpose of, or in connection with, the subscription for any option, or any shares or other securities, issued or to be issued by the company or by a related or inter-related company, or for the purchase of any shares or other securities of the company or of a related or inter-related company, provided that the aforementioned approval shall be valid until the date of the next AGM of the company."

The reason for and effect, if passed, of special resolution number 3 is to grant the directors the authority, until the next AGM of the company, to provide financial assistance to any person including any company or corporation which is related or inter-related to the company and/or to any financier for the purpose of, or in connection with, the subscription or purchase of options, shares or other securities in the company or in any related or inter-related company. This means that the company is authorised, inter alia, to grant loans to its subsidiaries and to guarantee and furnish security for the debt of its subsidiaries where such financial assistance is directly or indirectly related to a party acquiring options, shares or securities in the company or any related or inter-related company. A typical example of where the company may rely on this authority is where the company or a wholly owned subsidiary raised funds by way of issuing preference shares and the third-party funder requires the company to furnish security, by way of a guarantee or otherwise, for the obligations of the company or of its wholly owned subsidiary, as the case may be, to the third-party funder arising from the issue of the preference shares. The company has no immediate plans to use this authority and is simply obtaining same in the interests of prudence and good corporate governance should the unforeseen need arise to use the authority.

In terms of and pursuant to the provisions of sections 44 and 45 of the Companies Act, the directors of the company confirm that the board will satisfy itself, after considering all reasonably foreseeable financial circumstances of the company, that immediately after providing any financial assistance as contemplated in special resolution numbers 2 and 3 above:

- the assets of the company (fairly valued) will equal or exceed the liabilities of the company (fairly valued) (taking into consideration the reasonably foreseeable contingent assets and liabilities of the company); and
- the company will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months.

In addition, the board will only approve the provision of any financial assistance contemplated in special resolution numbers 2 and 3 above, where:

- the board is satisfied that the terms under which any financial assistance is proposed to be provided, will be fair and reasonable to the company; and
- all relevant conditions and restrictions (if any) relating to the granting of financial assistance by the company as contained in the company's memorandum of incorporation have been met.

10. SHARE REPURCHASES BY PSG KONSULT AND ITS SUBSIDIARIES

Special resolution number 4

"Resolved, as a special resolution, that the company and the subsidiaries of the company be and are hereby authorised, as a general approval, to repurchase any of the shares issued by the company, upon such terms and conditions and in such amounts as the directors may from time to time determine, but subject to the provisions of sections 46 and 48 of the Companies Act, the memorandum of incorporation of the company, the JSE Listings Requirements and the requirements of any other stock exchange on which the shares of the company may be quoted or listed, including, inter alia, that:

- the general repurchase of the shares may only be implemented through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;
- this general authority shall only be valid until the next AGM of the company, provided that it shall not extend beyond 15 months from the date of this resolution;
- an announcement must be published as soon as the company has repurchased shares constituting, on a cumulative basis, 3% of the number of shares in issue on the date that this authority is granted, containing full details thereof, as well as for each 3% in aggregate of the initial number of shares repurchased thereafter;
- the general authority to repurchase is limited to a maximum of 5% in the aggregate in any one financial year of the company's issued share capital at the time the authority is granted;
- a resolution has been passed by the board of directors approving the repurchase, that the group has satisfied the solvency and liquidity test as defined in the Companies Act and that, since the solvency and liquidity test was applied, there have been no material changes to the financial position of the group;
- the general repurchase is authorised by the company's memorandum of incorporation;
- repurchases must not be made at a price more than 10% above the weighted average of the market value of the shares for the five business days immediately preceding the date that the transaction is effected. The JSE will be consulted for a ruling if the company's securities have not traded in such five-business-day period;
- the company may, at any point in time, only appoint one agent to effect any repurchase(s) on the company's behalf; and
- the company may not effect a repurchase during any prohibited period as defined in terms of the JSE Listings Requirements, unless there is a repurchase programme in place, which programme has been submitted to the JSE in writing and executed by an independent third party, as contemplated in terms of paragraph 5.72(h) of the JSE Listings Requirements."

The reason for and effect, if passed, of special resolution number 4 is to grant the directors a general authority in terms of the company's memorandum of incorporation and the JSE Listings Requirements for the repurchase by the company or by a subsidiary of the company of shares issued by the company on the basis reflected in special resolution number 4. The company has no immediate plans to use this authority and is simply obtaining same in the interests of prudence and good corporate governance should the need arise to use the authority.

In terms of section 48(2)(b)(i) of the Companies Act, subsidiaries, taken together, may not hold more than 10%, in aggregate, of the number of the issued shares of any class of a company. For the avoidance of doubt, a pro rata repurchase by the company from all its shareholders will not require shareholder approval, save to the extent as may be required by the Companies Act.

11. OTHER BUSINESS

To transact such other business as may be transacted at an AGM or raised by shareholders with or without advance notice to the company.

Information relating to the special resolutions

1. The directors of the company or its subsidiaries will only utilise the general authority to repurchase shares of the company, as set out in special resolution number 4 above, to the extent that the directors, after considering the maximum number of shares to be repurchased, are of the opinion that the position of the group would not be compromised as to the following:
    - the group's ability in the ordinary course of business to pay its debts for a period of 12 months after the date of this AGM and for a period of 12 months after the repurchase;
    - the consolidated assets of the group will, at the time of the AGM and at the time of making such determination and for a period of 12 months thereafter, be in excess of the consolidated liabilities of the group. The assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited annual financial statements of the group;
    - the ordinary capital and reserves of the group, after the purchase, will remain adequate for the purpose of the business of the group for a period of 12 months after the AGM and after the date of the share repurchase; and
    - the working capital available to the group, after the repurchase, will be sufficient for the group's ordinary business purposes for a period of 12 months after the date of the notice of the AGM.
2. General information in respect of major shareholders, material changes and the share capital of the company is set out on pages 53 to 55 of the summary consolidated financial statements annexed to this notice and in the annual financial statements that are available on the company's website at www.psg.co.za or which may be requested and obtained in person, at no charge, at the registered office of the company during office hours.
3. The directors of the company collectively and individually accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and the notice contains all information required by law and the JSE Listings Requirements.
4. Special resolutions numbers 2, 3 and 4 are renewals of resolutions taken at the previous AGM on 26 July 2019.

By order of the board

PSG Management Services Proprietary Limited
Company secretary

Tyger Valley
9 June 2020

Registered office
4th Floor, The Edge, 3 Howick Close, Tyger Waterfront, Bellville 7530

Postal address
PO Box 3335, Tyger Valley 7536

Transfer secretary
Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank 2196
Private Bag X9000, Saxonwold 2132

Registrar and transfer agent (Mauritius)
Intercontinental Secretarial Services Limited
Level 3, Alexander House, 35 Cybercity, Ebene 72201, Mauritius

REMUNERATION REPORT

THE REMUNERATION COMMITTEE CHAIRMAN'S STATEMENT

Introduction and context

I am pleased to present the 2020 remuneration report to the shareholders on behalf of PSG Konsult's board of directors and remuneration committee (Remco). 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 2020. PSG Konsult registered a strong five-year compounded annual growth rate for recurring headline earnings of 14%, core income growth of 12%, growth in the total assets under management of 12% 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.

The Remco engaged with institutional investors regarding any feedback or concerns related to our remuneration policy and remuneration implementation report (one-on-one). The Remco 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 12. We are satisfied that the 2020 remuneration policy achieved its stated objectives.

In conclusion

Our 2020 remuneration policy was well received by shareholders and achieved a non-binding advisory vote of 97.0% in its favour at the 2019 AGM, while the remuneration implementation report also received a vote of 97.1% in its favour.

We will place our 2021 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 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 group, including any amount paid to a person in respect of the person's accepting the office of director;

b. salary, bonuses and performance-related payments;

c. expense allowances, to the extent that the director is not required to account for the allowance;

d. contributions paid under any pension scheme not otherwise required to be disclosed in terms of subsection (4)(b);

e. the value of any option or right given directly or indirectly to a director, past director or future director, or person related to any of them, as contemplated in section 42;

f. financial assistance to a director, past director or future director, or person related to any of them, for the subscription of options or securities, or the purchase of securities, as contemplated in section 44; and

g. with respect to any loan or other financial assistance by the group to a director, past director or future director, or a person related to any of them, or any loan made by a third party to any such person, as contemplated in section 45, if the group is a guarantor of that loan, the value of –

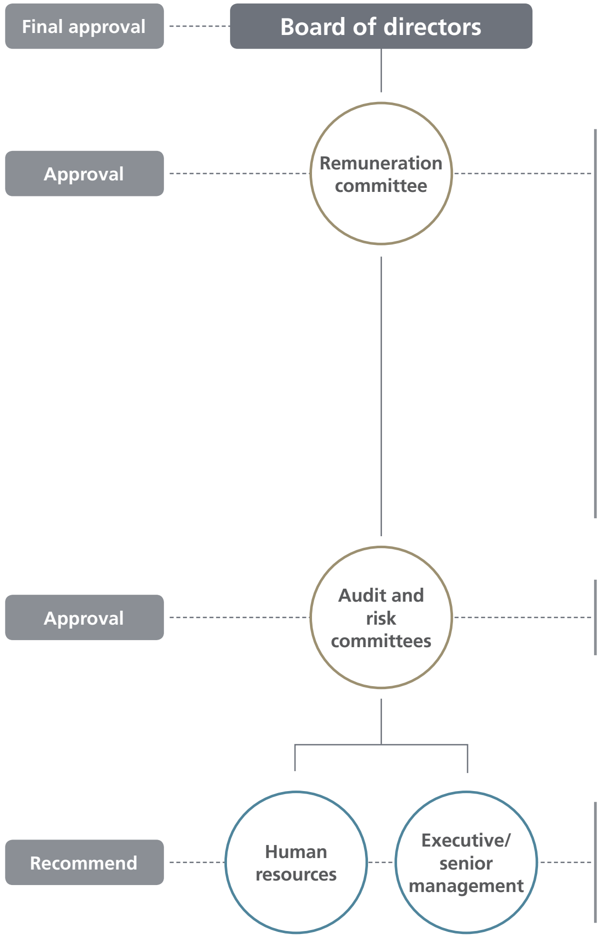
i. any interest deferred, waived or forgiven; or

ii. the difference in value between –

(aa) the interest that would reasonably be charged in comparable circumstances at fair market rates in an arm's length transaction; and

(bb) the interest actually charged to the borrower, if less."

Roles and responsibilities relating to the policy are set out below:



- Oversees and reviews implementation and effectiveness of the policy and remuneration strategy, and compliance with the Prudential Standards
- Develops and conducts regular reviews of the policy
- Makes annual recommendations to the board of PSG Konsult on the remuneration of the heads of control functions (other than internal audit), the CEO or the person that is in charge of the relevant insurance entity, direct reports of the CEO or the person that is in charge of the relevant insurance entity, other persons whose activities may, in the committee's opinion, affect the financial soundness of the insurer and any other person specified by the Prudential Authority

- Remuneration for the head of internal audit must be approved by the audit committee, unless it is outsourced

- Monitors effectiveness, administers and implements the policy (together with the group's Remco)
- Recommends improvements to enhance alignment with strategy

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). Consequently, there is no pay differentiation based on gender or racial classification.

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

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

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

To remunerate fairly and responsibly on the basis that equal work receives equivalent pay

Based on function, experience and market pay levels

Short-term variable compensation

To encourage, recognise and reward performance and allow sufficient flexibility to respond to business needs

Based on a combination of individual and collective performance. Incentive to manage the group responsibly and avoid excessive risk-taking

Long-term incentive scheme

Share options to executive directors and management

To align senior management incentives to shareholder returns and the long-term interests of clients and policyholders. To attract and retain key employees who play a critical role

Based on a combination of individual and collective performance

Employee benefits and wellness

To further the economic empowerment and well-being of employees

- **Life cover**
- **Disability benefit**
- **Income cover**
- **Retirement fund**

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

Career enhancement opportunities, including bursaries and study loans for work-related disciplines

Guaranteed pay

Pay bands are broad and allow for flexibility to ensure that individual expertise and experience are duly considered. The group Remco has structured 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 group to manage operational costs.

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

Short-term variable compensation

Short-term variable compensation awards are designed to encourage, recognise and reward performance and 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 overall group and divisional profitability. Divisional variable compensation pools are split among divisional key individuals and executives, based on individual performance and responsible risk management. The total short-term variable compensation pool and the way in which it is allocated is agreed with the group Remco 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 and KPIs are considered:

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

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

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

Long-term incentive scheme

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

Shares vest as follows:

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

The participants have five months to exercise options after they vest.

No beneficiary shall be entitled to payment of any dividend or any other rights attached to any shares until the date of registration of such shares in the name of the beneficiary.

Termination of employment

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

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

Resignation: If a beneficiary ceases to be an employee by reason of resignation, that beneficiary shall be deemed to have immediately forfeited their rights 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 Remco, and for final approval by the shareholders at the AGM.

The proposed non-executive director fees for the period 1 March 2020 to 28 February 2021 are as follows (exclusive of VAT):

Role	FY2021
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

In light of current market conditions, the non-executive directors' fees will remain the same as the previous financial year.

Executive members of the board, senior management and employees carrying out key risk-taking functions as determined by the board, whose remuneration is linked at least in part to the success of those activities

The guaranteed remuneration for each of these employees will be adequate. Guaranteed remuneration will be based on the individual employee’s responsibilities, performance (including financial (if relevant) and non-financial performance) and prospects. Employees agree with line managers on their KPIs and undergo bi-annual performance reviews.

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

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

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

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

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

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

- is not linked to the performance of any business units that they control or oversee; 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 Remco. This committee is mandated by the boards of PSG Konsult and its insurance entities, and reports to them. The group Remco also governs how remuneration is administered. It considers the holistic compensation model and the specific remuneration of all executive directors and prescribed officers, including fees paid to all non-executive directors. The Remco is also responsible for awarding share incentives to group executives, and ensuring 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 Remco’s opinion, affect the financial soundness of the group or relevant insurance entity and any other person specified by the Prudential Authority.

The group Remco is responsible for developing and conducting regular reviews of this policy and monitoring 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 18. An independent control function monitors how remuneration is applied to make sure that the group Remco complies with this policy.

The group Remco is governed by its terms of reference.

Guidelines in reviewing the effectiveness of the policy

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

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

This policy will be reviewed once a year by the group Remco, 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.

IMPLEMENTATION REPORT

Fixed remuneration

The remuneration committee approved salary increase in line with the industry sector for the 2020 financial year. After due consideration and taking into account current market conditions, the committee decided that executive directors will not receive a salary increase for the 2021 financial year.

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 20 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 a number of years, with the group's executive directors having benefited accordingly from the share incentive scheme.

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

When evaluating the group's performance over the long term, one should focus on the 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 29 February 2020 was 28% per annum since 2005. Therefore, if you had purchased R100 000 worth of PSG Konsult shares on 11 April 2005 and reinvested all your dividends, your investment would be worth around R3 771 876 as at 29 February 2020. The same investment in the JSE ALSI over the same period would be worth R591 116 (84% lower).

Over the past five-year period the group achieved a CAGR of 12% in recurring headline earnings per share which is a best-in-class performance relative to other financial services companies in South Africa.

Remuneration policy implementation – additional disclosure

Malus, clawback and performance hurdle provisions

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

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

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

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

Executive directors' key performance measures

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

CHIEF EXECUTIVE OFFICER

QUANTITATIVE FACTORS	50%
Financial indicators	
• Quality of earnings growth in context of macroeconomic indicators • Risk adjusted returns generated on shareholder assets • Business operated within acceptable risk appetite tolerance levels	
QUALITATIVE FACTORS	**50%**
Strategy and guidance	
• Determine strategy and provide strategic guidance and direction including problem solving when needed • Identify and set executive and divisional priorities	
Projects and initiatives	
• Monitor and oversee priority projects and key business initiatives • Oversee client journey improvements (great client service) • Oversee and manage all high-risk and complex business matters • Progressive transformation (ensure processes are in place to reach transformation targets)	
People management	
• Performance management and succession planning of senior management team • Create a high-performance working environment across the group by leading by example	
Stakeholder relationships	
• Investor relations (analyst discussions, meetings and presentations) • Maintain and build positive strategic relationships with regulators, non-executive directors, advisers and key stakeholders	

CHIEF FINANCIAL OFFICER

QUANTITATIVE FACTORS	33%
Financial indicators	
• Effective cost management and control • Oversee and manage business capital, regulatory solvency and liquidity requirements • Optimise risk adjusted returns on shareholder assets (DMTN early repayment) • Oversee financial risk exposure and assist business to operate within acceptable risk appetite tolerance levels	
QUALITATIVE FACTORS	**67%**
Financial reporting	
• Meet all external and internal financial reporting obligations • Quality and timeous financial reporting (annual, interim, monthly and budgets) • Quality and timeous board and committee presentations and packs	
Control environment	
• Maintain sound financial control environment (minimal operational incidents) • Minimal adverse external or internal audit findings • Ensure group compliance with tax legislation • Ensure compliance with JSE Listings and Companies Act requirements	
Projects and initiatives	
• Successful delivery and execution of priority projects • Oversee and manage all high-risk and complex finance related business matters • Progressive transformation (monitoring and reporting on transformation objectives)	
People management	
• Finance team (project prioritisation, staff development, performance management and succession planning) • Talent management (attract, retain, mentor and develop staff) • Create a high-performance working environment by leading by example	
Stakeholder relationships	
• Investor relations (analyst discussions, meetings and presentations) • Build positive strategic relationships with regulators, bankers, rating agencies, professional advisers, SARS, non-executive directors and key shareholders	

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

The following directors' remuneration was accrued by subsidiaries in the PSG Group for the year ended 29 February 2020:

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 2019	Number of share options during year		Market price per share on vesting date	Vesting price per share	Date granted	Number of share options as at 29 Feb 2020	Value of options redeemed/ exercised during year[1] R000	Closing indicative expected value as at 29 Feb 2020[2] R000
		Granted	Vested						
Executive									
FJ Gouws	1 587 500	–	(1 587 500)	R10.35	R5.06	1/03/2014	–	8 398	–
	447 592	–	(223 797)	R10.35	R7.27	1/04/2015	223 795	689	141
	7 751 684	–	(2 583 895)	R10.35	R6.81	1/04/2016	5 167 789	9 147	5 633
	3 156 559	–	(789 140)	R10.35	R7.59	1/04/2017	2 367 419	2 178	734
	3 750 000	–	–	–	R8.74	1/04/2018	3 750 000	–	(3 150)[3]
	–	4 000 000	–	–	R10.15	1/04/2019	4 000 000	–	(9 000)[3]
	16 693 335	4 000 000	(5 184 332)				15 509 003	20 412	
MIF Smith	450 000	–	(450 000)	R10.35	R5.06	1/03/2014	–	2 381	–
	354 780	–	(177 390)	R10.35	R7.27	1/04/2015	177 390	546	112
	1 798 612	–	(599 537)	R10.35	R6.81	1/04/2016	1 199 075	2 122	1 307
	1 030 108	–	(257 527)	R10.35	R7.59	1/04/2017	772 581	711	240
	1 200 000	–	–	–	R8.74	1/04/2018	1 200 000	–	(1 008)[3]
	–	1 000 000	–	–	R10.15	1/04/2019	1 000 000	–	(2 250)[3]
	4 833 500	1 000 000	(1 484 454)				4 349 046	5 760	

[1] *The value of options redeemed/exercised is the number of share options exercised in the 2020 financial year multiplied by growth in share price (market value share price at exercise less option grant price).*

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

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

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

- On 20 April 2020 Messrs FJ Gouws and MIF Smith respectively accepted 4 800 000 and 1 200 000 share option awards at a strike price of R7.13 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 2019	Number of share options during year		Market price per share on vesting date	Vesting price per share	Date granted	Number of share options as at 29 Feb 2020	Value of options redeemed/ exercised during year[1] R000	Closing indicative expected value as at 29 Feb 2020[2] R000
		Granted	Vested						
Non-executive									
PJ Mouton	165 471	–	(165 471)	R265.08	R83.23	28/02/2014	–	30 091	–
	37 347	–	(18 673)	R265.08	R136.84	28/02/2015	18 674	2 395	1 435
	62 995	–	(20 998)	R265.08	R178.29	29/02/2016	41 997	1 822	1 488
	84 203	–	(21 051)	R265.08	R237.31	28/02/2017	63 152	585	(1 490)[3]
	113 018	–	–	–	R236.13	28/02/2018	113 018	–	(2 534)[3]
	227 700	–	–	–	R250.56	28/02/2019	227 700	–	(8 391)[3]
	–	183 503	–	–	R213.71	29/02/2020	183 503	–	–
	690 734	183 503	(226 193)				648 044	34 893	

[1] *The value of options redeemed/exercised is the number of share options exercised in the 2020 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.*

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

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 2020 and 2019 financial years, is set out in the following tables:

Audited	Directors' fees R000	Basic salary R000	Bonuses and performance-related payments R000	Expense allowances R000	Company contributions R000	LTI R000	Total 2020 R000	Total 2019 R000
Executive								
FJ Gouws[1, 7]	–	5 423	21 093	–	84	20 412	47 012	63 734
MIF Smith[8]	–	2 606	7 370	96	41	5 760	15 873	16 241
	–	8 029	28 463	96	125	26 172	62 885	79 975
Non-executive								
W Theron[10]	1 458	–	–	–	–	–	1 458	6 553
J de V du Toit	403	–	–	–	–	–	403	428
PJ Mouton[2, 9]	–	12 423	–	–	–	34 893	47 316	45 187
PE Burton[3]	1 259	–	–	–	–	–	1 259	1 103
ZL Combi[4]	1 725	–	–	–	–	–	1 725	1 127
R Stassen	63	–	–	–	–	–	63	235
Z Matsau[5]	558	–	–	–	–	–	558	396
T Isaacs[6]	63	–	–	–	–	–	63	–
A Sangqu[6]	63	–	–	–	–	–	63	–
	5 592	12 423	–	–	–	34 893	52 908	55 029
	5 592	20 452	28 463	96	125	61 065	115 793	135 004

[1] *Director's fee of R0.3 million (2019: R0.3 million) paid to PSG Management Services Proprietary Limited as non-executive director of PSG Group Limited.*

[2] *Director's fee of R0.3 million (2019: R0.2 million) was paid to a subsidiary of PSG Group Limited.*

[3] *Director's fee of R0.6 million (2019: R0.5 million) paid as non-executive director of PSG Group Limited. R0.1 million (2019: R0.1 million) was paid as non-executive director of PSG Konsult Limited subsidiaries.*

[4] *Director's fee of R0.7 million (2019: R0.4 million) paid as non-executive director of PSG Group Limited. R0.5 million (2019: R0.3 million) was paid as non-executive director of Curro Holdings Limited.*

[5] *Director's fee of R0.1 million (2019: Rnil) was paid as non-executive director of PSG Konsult Limited subsidiary entities.*

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

[7] *Total performance incentive bonus awarded was R21.2 million (2019: R21.5 million). 70% of bonus awarded, being R14.9 million (2019: R15.1 million), is unconditional and was paid in cash in April 2020 and April 2019 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 2021 (2019: R3.2 million in April 2020), being 12 months after award date, while the remaining R3.2 million (2019: R3.2 million; 2018: R2.6 million) is conditional for 24 months until April 2022 (2019: April 2021; 2018: April 2020).*

[8] *Total performance incentive bonus awarded was R7.4 million (2019: R7.5 million), which was paid in cash in April 2020 and April 2019 respectively, as the director has more than 10 years service in the group (no service conditions attached to release of 30% deferred portion of bonus award).*

[9] *PJ Mouton is a non-executive director of PSG Konsult Limited and has a standard service contract with PSG Corporate Services Proprietary Limited (PSGCS). His remuneration for services rendered as executive director within the PSG Group for its financial year ended 29 February 2020 was R12.4 million (2019: R11.6 million), of which 30% is deferred for a period of 12 months subject to him remaining in PSGCS's employment and malus/clawback provisions. PJ Mouton's gain on the vesting of PSG Group Limited share options during April 2019 amounted to R34.9 million.*

[10] *Director's fee of R0.4 million (2019: R0.4 million) was paid as non-executive director of PSG Konsult Limited subsidiary entities.*

APPROVAL

This remuneration report was approved by the Remco on 12 March 2020. The Remco is satisfied that there are no deviations from the remuneration policy in its implementation during the 2020 financial year.

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

COMMENTARY

Introduction

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

Financial results

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

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

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

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

No performance fees were earned during the current year, compared to the prior year where performance fees constituted 2.9% of headline earnings. PSG Konsult's key financial performance indicators for the year ended 29 February 2020 are shown below:

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

PSG Wealth

PSG Wealth achieved recurring headline earnings growth of 11%

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

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

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

The division's formidable financial adviser network consisted of 559 wealth advisers as at 29 February 2020. During the year we appointed 40 new wealth advisers, while the assets managed by the smaller advisers that left the group during the year were transferred to other existing PSG advisers. The limited impact of these smaller advisers who left is evident in the positive net inflows achieved by the division.

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

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

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

PSG Asset Management

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

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

PSG Insure

PSG Insure achieved recurring headline earnings growth of 43%

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

STRATEGY

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

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

PSG Insure provides robust and cost-effective short-term insurance solutions to clients, protecting them from unforeseen events. Critical expertise across underwriting, administration and adviser teams underpins the focus on providing value-added products that meet and exceed clients' expectations. The division continues to invest in its claims and administration functions to build scale and unlock operational efficiencies, thereby enabling our high-calibre advisers to focus on client relationships.

CORPORATE ACTIVITY

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

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

CAPITAL MANAGEMENT

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

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

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

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

REGULATORY LANDSCAPE AND RISK MANAGEMENT

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

INFORMATION TECHNOLOGY

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

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

NEW ACCOUNTING STANDARDS

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

LOOKING FORWARD

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

PSG Konsult's strong cash flow enables us to continue to invest in long-term growth opportunities, systems and processes, whilst optimising risk-adjusted returns for shareholders. As such, the group remains confident about the prospects for continued growth. The group will continue to prioritise organic growth in our selected markets where we have a relatively low, but rapidly expanding market share.

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

EVENTS AFTER REPORTING DATE

COVID-19

Our priority is to ensure employee safety and business continuity for our clients. We can report that most of PSG Konsult's operations have been classified as an essential service, but that 99% of our employees and advisers were working remotely during level 5 of the lockdown. Despite recent market volatility caused by COVID-19, PSG Konsult remains resilient. Assets under management at 31 March 2020 amounted to R207.9 billion, a decrease of about 10% compared to a 13% decrease in the JSE ALSI during March 2020 with a subsequent recovery during April 2020.

The group has a strong balance sheet and excellent liquidity. We take a prudent approach when investing assets backing our regulatory capital requirements. As such, about 90% of investable shareholder assets are invested in cash, money market or related instruments. The aim is to limit market volatility on our shareholders' equity and regulatory capital. By way of example, the shareholders' assets declined by less than 1% for the month ended 31 March 2020, with a subsequent recovery during April 2020. PSG Konsult is working with various authorities and regulators to help minimise the impact of COVID-19 on society as a whole which, among other initiatives, included a R10.0 million donation to the South African Solidarity Fund.

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

DIVIDEND

Given its continued confidence in the group's prospects, the board decided to approve and declare a final gross dividend of 15.0 ZAR cents per share from income reserves for the year ended 29 February 2020 (2019: 13.5 ZAR cents per share). The group's dividend payout ratio remains consistent with the dividend policy communicated at the time of listing.

The dividend is subject to a South African dividend withholding tax (DWT) rate of 20%, unless the shareholder is exempt from paying dividends tax or is entitled to a reduced rate in terms of the applicable double-tax agreement. Including DWT at 20% results in a net dividend of 12.0 ZAR cents per share. The number of issued ordinary shares is 1 356 922 600 at the date of this declaration. PSG Konsult's income tax reference number in South Africa is 9550/644/07/5.

The salient dates of the dividend declaration are:

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

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

Share certificates may not be dematerialised or rematerialised between Wednesday, 6 May 2020 and Friday, 8 May 2020, both days inclusive.

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

On behalf of the board

Willem Theron
Chairman

Francois Gouws
Chief executive officer

Tyger Valley
22 May 2020

www.psg.co.za

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of PSG Konsult Limited

The summary consolidated financial statements of PSG Konsult Limited, set out on pages 28 to 51 of the PSG Konsult Summary Financial Statements for the year ended 29 February 2020, which comprise the summary consolidated statement of financial position as at 29 February 2020, the summary consolidated income statement and summary consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of PSG Konsult Limited for the year ended 29 February 2020.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the JSE Limited's (JSE) requirements for summary financial statements, as set out in note 2 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summary consolidated financial statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 22 May 2020. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Directors' responsibility for the summary consolidated financial statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the JSE's requirements for summary financial statements, set out in note 2 to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements.*

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: RA Botha
Registered Auditor

Cape Town
22 May 2020

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 29 February 2020

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

SUMMARY CONSOLIDATED INCOME STATEMENT

for the year ended 29 February 2020

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

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

SUMMARY CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 29 February 2020

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

EARNINGS AND HEADLINE EARNINGS PER SHARE

for the year ended 29 February 2020

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

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 29 February 2020

	Attributable to equity holders of the group					
	Stated capital R000	Treasury shares R000	Other reserves R000	Retained earnings R000	Non-controlling interest R000	Total R000
Balance at 1 March 2018 (Audited)	1 908 804	(192 247)	(386 722)	1 175 226	235 654	2 740 715
Comprehensive income						
Profit for the year	–	–	–	602 174	40 370	642 544
Other comprehensive income for the year	–	–	11 524	–	–	11 524
Total comprehensive income for the year	–	–	11 524	602 174	40 370	654 068
Transactions with owners	220 768	(38 476)	14 372	(326 149)	(50 716)	(180 201)
Issue of ordinary shares	220 768	–	–	–	–	220 768
Share-based payment costs	–	–	39 538	–	–	39 538
Transactions with non-controlling interest	–	–	–	(13 315)	(43 548)	(56 863)
Net movement in treasury shares	–	(36 023)	–	–	–	(36 023)
Current tax on equity-settled share-based payments	–	–	20 845	–	–	20 845
Deferred tax on equity-settled share-based payments	–	–	3 372	–	–	3 372
Loss on issue of shares in terms of share scheme	–	–	(108 849)	–	–	(108 849)
Release of share-based payment reserve to retained earnings on vested share options	–	–	59 466	(59 466)	–	–
Release of profits from treasury shares to retained earnings	–	(2 453)	–	2 453	–	–
Dividends paid	–	–	–	(255 821)	(7 168)	(262 989)
Balance at 28 February 2019 (Audited)	2 129 572	(230 723)	(360 826)	1 451 251	225 308	3 214 582
Adjustment on initial application of IFRS 16	**–**	**–**	**–**	**(12 555)**	**–**	**(12 555)**
Adjusted balance at 1 March 2019	**2 129 572**	**(230 723)**	**(360 826)**	**1 438 696**	**225 308**	**3 202 027**
Comprehensive income						
Profit for the year	**–**	**–**	**–**	**646 957**	**60 604**	**707 561**
Other comprehensive income for the year	**–**	**–**	**10 998**	**–**	**–**	**10 998**
Total comprehensive income for the year	**–**	**–**	**10 998**	**646 957**	**60 604**	**718 559**
Transactions with owners	**(60 543)**	**59 595**	**(44 491)**	**(283 380)**	**(7 265)**	**(336 084)**
Issue of ordinary shares	**24 145**	**–**	**–**	**–**	**–**	**24 145**
Repurchase and cancellation of shares	**(84 688)**	**–**	**–**	**–**	**–**	**(84 688)**
Share-based payment costs	**–**	**–**	**26 306**	**–**	**–**	**26 306**
Transactions with non-controlling interest	**–**	**–**	**–**	**–**	**(2 262)**	**(2 262)**
Net movement in treasury shares	**–**	**81 450**	**–**	**–**	**–**	**81 450**
Current tax on equity-settled share-based payments	**–**	**–**	**9 584**	**–**	**–**	**9 584**
Deferred tax on equity-settled share-based payments	**–**	**–**	**(31 054)**	**–**	**–**	**(31 054)**
Loss on issue of shares in terms of share scheme	**–**	**–**	**(71 834)**	**–**	**–**	**(71 834)**
Release of share-based payment reserve to retained earnings on vested share options	**–**	**–**	**22 507**	**(22 507)**	**–**	**–**
Release of profits from treasury shares to retained earnings	**–**	**(21 855)**	**–**	**21 855**	**–**	**–**
Dividends paid	**–**	**–**	**–**	**(282 728)**	**(5 003)**	**(287 731)**
Balance at 29 February 2020 (Audited)	**2 069 029**	**(171 128)**	**(394 319)**	**1 802 273**	**278 647**	**3 584 502**

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 29 February 2020

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

Notes to the statement of cash flows

The movement in cash utilised in operations can vary significantly as a result of daily fluctuations in cash linked to investment contracts, cash held by the stockbroking business and cash utilised for the loan facility obtained by the group on the loan facilities provided to clients on their share portfolios at PSG Securities Limited. PSG Life Limited, the group's linked insurance company, issues linked policies to policyholders (where the value of policy benefits is directly linked to the fair value of the supporting assets). When these policies mature, the company raises a debtor for the money receivable from the third-party investment provider, and raises a creditor for the amount owing to the client. Timing difference occurs at month-end where the money was received from the third-party investment provider, but only paid out by the company after month-end, resulting in significant fluctuations in the working capital of the company. Similar working capital fluctuations occur at PSG Securities Limited, the group's stockbroking business, mainly due to the timing of the close of the JSE in terms of client settlements. Refer to note 6.8 for the impact of the client-related balances on the cash flows from operating activities.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 29 February 2020

1. REPORTING ENTITY

PSG Konsult Limited is a public company domiciled in the Republic of South Africa. The summary consolidated financial statements of the company as at and for the year ended 29 February 2020 comprise the company and its subsidiaries (together referred to as the 'group') and the group's interest in joint ventures.

2. BASIS OF PREPARATION

The summary consolidated financial statements are prepared in accordance with requirements of the JSE Limited (JSE) for summary financial statements and the requirements of the Companies Act, No. 71 of 2008, as amended, applicable to summary financial statements. The JSE requires summary financial statements to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 – Interim Financial Reporting.

3. PREPARATION

The summary consolidated financial statements are the responsibility of the board of directors of the company. These summary consolidated financial statements were prepared under the supervision of the chief financial officer, Mike Smith, CA(SA). PSG Konsult's external auditor, PricewaterhouseCoopers Inc., audited these summary consolidated financial statements and their unmodified audit opinion is presented on page 27. Any reference to future financial performance included in these summary consolidated financial statements has not been reported on by PSG Konsult's auditor.

4. ACCOUNTING POLICIES

The accounting policies applied in the preparation of these summary consolidated financial statements are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements as at and for the year ended 28 February 2019, except for the mandatory adoption of IFRS 16 – Leases. The group has applied the standard retrospectively without restating comparative figures. Refer to note 12 for further detail.

5. USE OF ESTIMATES AND JUDGEMENTS

In preparing these summary consolidated financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial statements for the year ended 28 February 2019.

6. SEGMENT INFORMATION

The composition of the reportable segments represents the internal reporting structure and the monthly reporting to the chief operating decision- maker (CODM). The CODM for the purpose of IFRS 8 – Operating Segments has been identified as the chief executive officer, supported by the group management committee (Manco). The group's internal reporting structure is reviewed in order to assess performance and allocate resources. The group is organised into three reportable segments, namely:

- PSG Wealth – *deriving income mainly from total managed assets and total platform assets*
- PSG Asset Management – *deriving income mainly from total assets under management and administration*
- PSG Insure – *deriving income mainly from written premiums and underwriting*

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

6.1 Description of business segments

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

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

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

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 29 February 2020

6. SEGMENT INFORMATION (CONTINUED)

6.1 Description of business segments (continued)

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

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

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

6.2 Headline earnings per reportable segment

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

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

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[1] *Headline earnings, calculated in terms of the requirements stipulated in Circular 1/2019 as issued by SAICA, comprise recurring and non-recurring headline earnings. Recurring headline earnings are calculated by excluding non-recurring headline earnings to increase comparability of the performance of the group from one year to another. Non-recurring headline earnings include one-off gains and losses and the resulting tax charge on these items.*

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

6. SEGMENT INFORMATION (CONTINUED)

6.3 Income per reportable segment

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

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

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

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 29 February 2020

6. SEGMENT INFORMATION (CONTINUED)

6.4 Divisional income statement

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

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

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

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

6. SEGMENT INFORMATION (CONTINUED)

6.5 Statement of financial position (client vs own)

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

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

As at 29 February 2020 (Audited)	**Total IFRS reported R000**	**Own balances R000**	**Client-related balances R000**
ASSETS			
Equity securities	**2 229 474**	**20 173**	**2 209 301**
Debt securities[1]	**6 212 400**	**52 372**	**6 160 028**
Unit-linked investments	**50 398 850**	**677 147**	**49 721 703**
Investment in investment contracts	**15 587**	**–**	**15 587**
Receivables including insurance receivables[1]	**2 094 305**	**353 962**	**1 740 343**
Derivative financial instruments	**23 131**	**–**	**23 131**
Cash and cash equivalents (including money market funds)[1]	**1 073 653**	**2 319 875**	**(1 246 222)**
Other assets[2, 3]	**1 852 188**	**1 852 188**	**–**
Total assets	**63 899 588**	**5 275 717**	**58 623 871**
EQUITY			
Equity attributable to owners of the parent	**3 305 855**	**3 305 855**	**–**
Non-controlling interest	**278 647**	**278 647**	**–**
Total equity	**3 584 502**	**3 584 502**	**–**
LIABILITIES			
Investment contracts	**26 694 209**	**–**	**26 694 209**
Third-party liabilities arising on consolidation of mutual funds[1]	**30 293 931**	**–**	**30 293 931**
Derivative financial instruments	**30 406**	**–**	**30 406**
Trade and other payables[1]	**2 356 383**	**751 058**	**1 605 325**
Other liabilities[3, 4]	**940 157**	**940 157**	**–**
Total liabilities	**60 315 086**	**1 691 215**	**58 623 871**
Total equity and liabilities	**63 899 588**	**5 275 717**	**58 623 871**

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

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

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

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

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 29 February 2020

6. SEGMENT INFORMATION (CONTINUED)

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

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

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

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

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

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

6. SEGMENT INFORMATION (CONTINUED)

6.6 Income statement (client vs own)

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

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

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

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

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

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 29 February 2020

6. SEGMENT INFORMATION (CONTINUED)

6.6 Income statement (client vs own) (continued)

For the year ended 28 February 2019 (Audited)	**Total IFRS reported R000**	**Core business R000**	**Linked investment business and other R000**
Revenue from contracts with customers and other operating income[1]	3 361 163	3 450 885	(89 722)
Investment income[2]	1 884 470	213 587	1 670 883
Net fair value gains and losses on financial instruments	646 786	2 344	644 442
Fair value adjustment to investment contract liabilities	(1 061 253)	–	(1 061 253)
Fair value adjustment to third-party liabilities	(1 196 594)	–	(1 196 594)
Net insurance premium revenue	936 761	936 761	–
Total income	4 571 333	4 603 577	(32 244)
Insurance claims and loss adjustment expenses	(803 746)	(803 746)	–
Other[1, 3]	(2 821 998)	(2 878 596)	56 598
Total expenses	(3 625 744)	(3 682 342)	56 598
Total profit from joint ventures	431	431	–
Profit before finance costs and taxation	946 020	921 666	24 354
Finance costs	(34 297)	(22 444)	(11 853)
Profit before taxation	911 723	899 222	12 501
Taxation	(269 179)	(256 678)	(12 501)
Profit for the year	642 544	642 544	–
Attributable to:			
Owners of the parent	602 174	602 174	–
Non-controlling interest	40 370	40 370	–
	642 544	642 544	–

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

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

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

6.7 Revenue from contracts with customers and other operating income

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

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

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

6. SEGMENT INFORMATION (CONTINUED)

6.8 Statement of cash flows (client vs own)

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

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

Included under receivables are broker and clearing accounts at our stockbroking business of which R1 625.7 million (2019: R1 278.0 million) represents amounts owing by the JSE for trades conducted during the last few days before the end of the year. The balances fluctuate on a daily basis depending on the activity in the market.

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

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

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

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

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 29 February 2020

6. SEGMENT INFORMATION (CONTINUED)

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

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

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

7. INVESTMENT CONTRACTS

Investment contracts are represented by the following financial assets:

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

8. NOTES TO THE STATEMENT OF CASH FLOWS

8.1 Acquisition of subsidiaries (including collective investment schemes)

For the year ended 28 February 2019

Collective investment schemes

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

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

Had the PSG Wealth Global Preserver Feeder Fund been consolidated from 1 March 2018, total income of R3.4 million and profit of Rnil would have been recognised in the consolidated income statement for the year ended 28 February 2019.

Had the PSG Money Market Fund been consolidated from 1 March 2018, total income of R13.4 million and profit of Rnil would have been recognised in the consolidated income statement for the year ended 28 February 2019.

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 29 February 2020

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

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

For the year ended 28 February 2019 (continued)

Other business combinations

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

Details of the net assets acquired are as follows:	Commercial and industrial R000	Personal lines R000
Cash paid	32 766	18 526
Cash due	32 765	18 526
Total purchase consideration	65 531	37 052
Less: Fair value of net assets acquired	(42 597)	(25 338)
Goodwill recognised on acquisition	22 934	11 714
The remaining purchase consideration for these transactions will be paid in two 25% tranches over the next two years.		
Cash consideration paid	(32 766)	(18 526)
Cash and cash equivalents acquired	–	–
Net cash outflow for the year ended 28 February 2019	(32 766)	(18 526)

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

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

The income, included in the consolidated income statement, contributed by the AIFA commercial and industrial short-term insurance brokerage business since the acquisition date, was R105.2 million. The book of business also contributed a profit after taxation of R12.3 million over the same period. Had the AIFA commercial and industrial short-term insurance brokerage business been consolidated from 1 March 2018, the consolidated income statement would have shown income of R140.2 million and profit after taxation of R16.4 million for the year ended 28 February 2019.

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

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

8.2 Disposal of subsidiaries (including collective investment schemes)

For the year ended 29 February 2020

Subsidiaries

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

For the year ended 28 February 2019

Collective investment schemes

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

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

Assets and liabilities held for sale

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

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

8.3 Shares issued

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

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

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

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 29 February 2020

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

8.4 Other acquisitions – standardising of revenue sharing model

For the year ended 29 February 2020

The group, through its subsidiary PSG Wealth Financial Planning Proprietary Limited, concluded further revenue sharing arrangements with a number of its advisers during the financial year. The purpose of these transactions was to standardise the revenue sharing arrangements between the advisers and PSG Konsult.

A cash consideration of R2.4 million was paid on the effective dates. These transactions did not qualify for accounting in terms of IFRS 3 – Business Combinations as the assets acquired (the right to an increased share in the income stream of the adviser) did not constitute a business acquired.

These transactions did not have a material impact on our headline earnings during the year ended 29 February 2020.

For the year ended 28 February 2019

The group, through its subsidiary PSG Wealth Financial Planning Proprietary Limited, concluded further revenue sharing arrangements with a number of its advisers during the financial year. The purpose of these transactions was to standardise the revenue sharing arrangements between the advisers and PSG Konsult.

A total cash consideration of R38.9 million was paid on the effective dates. These transactions did not qualify for accounting in terms of IFRS 3 – Business Combinations, as the assets acquired (the right to an increased share in the income stream of the adviser) did not constitute a business acquired.

These transactions contributed R3.3 million to our headline earnings during the 2019 financial year, net of amortisation cost of R1.5 million.

9. FINANCIAL RISK MANAGEMENT

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

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

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

There have been no changes in the group's financial risk management objectives and policies since the previous financial year-end.

Market risk (price risk, foreign currency risk and interest rate risk)

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in interest rates, equity prices and foreign currency exchange rates.

A portion of the policyholders' and shareholders' investments are valued at fair value and are therefore susceptible to market fluctuations.

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

Included in the equity securities of R2 229.5 million (2019: R2 353.4 million) are quoted equity securities of R2 219.3 million (2019: R2 353.1 million), of which R2 096.9 million (2019: R2 176.8 million) relates to investments in linked investment contracts. The price risk of these instruments is carried by the policyholders of the linked investment contracts.

Unit-linked investments of R24 180.2 million (2019: R23 362.7 million) are linked to investment contracts and do not directly expose the group to price or interest rate risk.

Debt securities linked to policyholder investments amounted to R370.9 million (2019: R368.5 million) and do not expose the group to interest rate risk. Cash and cash equivalents linked to policyholder investments amounted to R30.6 million (2019: R8.1 million) and do not expose the group to interest rate risk.

Fair value estimation

The information below analyses financial instruments, carried at fair value, by level of hierarchy as required by IFRS 7 – Financial Instruments and IFRS 13 – Fair Value Measurement. The different levels have been defined as follows:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – input other than quoted prices included within level 1 that is observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and
- Level 3 – input for the asset or liability that is not based on observable market data (that is, unobservable input).

There have been no significant transfers between level 1, 2 or 3 during the financial year under review.

9. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value estimation (continued)

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

Valuation techniques and main assumptions used in determining the fair value of financial assets and liabilities classified within level 2 can be summarised as follows:

Instruments	Valuation techniques	Main assumptions
Derivative financial instruments	Exit price on recognised over-the-counter (OTC) platforms	Not applicable
Debt securities	Valuation model that uses the market input (yield of benchmark bonds)	Bond interest rate curves Issuer credit ratings Liquidity spreads
Unit-linked investments	Quoted put (exit) price provided by the fund manager	Not applicable – daily prices are publicly available
Investment in investment contracts	Prices are obtained from the insurer of the particular investment contract	Not applicable – prices provided by registered long-term insurers
Investment contract liabilities – unit linked	Current unit price of underlying unitised financial asset that is linked to the liability, multiplied by the number of units held	Not applicable
Third-party liabilities arising on the consolidation of mutual funds	Quoted put (exit) price provided by the fund manager	Not applicable – prices are publicly available

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

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

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 29 February 2020

9. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value estimation (continued)

As at 28 February 2019 (Audited)	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
Financial assets				
Derivative financial instruments	–	10 592	–	10 592
Equity securities	2 353 147	–	240	2 353 387
Debt securities	876 023	5 319 500	–	6 195 523
Unit-linked investments	–	46 033 221	454 859	46 488 080
Investment in investment contracts	–	16 048	–	16 048
	3 229 170	51 379 361	455 099	55 063 630
Own balances	16 204	1 996 524	28 111	2 040 839
Client-related balances	3 212 966	49 382 837	426 988	53 022 791
Financial liabilities				
Derivative financial instruments	–	13 973	–	13 973
Investment contracts	–	25 438 584	435 129	25 873 713
Trade and other payables	–	–	91 655	91 655
Third-party liabilities arising on consolidation of mutual funds	–	27 350 796	–	27 350 796
	–	52 803 353	526 784	53 330 137
Own balances	–	–	91 655	91 655
Client-related balances	–	52 803 353	435 129	53 238 482

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

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

[1] *Gains on these items were recognised in profit or loss under 'net fair value gains and losses on financial instruments'.*

[2] *Losses recognised in profit or loss were recognised under 'fair value adjustment to investment contract liabilities'.*

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

9. FINANCIAL RISK MANAGEMENT (CONTINUED)

Fair value estimation (continued)

Trade and other payables classified within level 3 have significant unobservable inputs, as the valuation technique used to determine the fair values takes into account the probability (at each reporting period) that the contracted party will achieve the profit guarantee as stipulated in the business agreement. These relate to the purchase of intangibles and as such any change in measurement would result in a similar adjustment to the intangible assets with the exception of those acquired in terms of business combinations. Therefore the group's overall profit or loss is not materially sensitive to changes in the inputs.

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

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

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

10. RELATED-PARTY TRANSACTIONS

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

11. EVENTS AFTER THE REPORTING DATE

In terms of IAS 10 – Events after the Reporting Period, non-adjusting post balance sheet events are events after the reporting period that are indicative of a condition that arose after the reporting period ended 29 February 2020. It was concluded that the declaration of COVID-19 as a pandemic and the implementation of a nationwide lockdown is such an event.

Management has assessed the impact of COVID-19, specifically on the group's shareholders' assets and the impairment assessments performed for accounting standards that require the use of forward-looking information, such as expected credit losses and impairment assessments on non-financial assets. COVID-19 did not have a significant impact on either, with shareholders' assets declining by less than 1% for the month ended 31 March 2020 with a subsequent recovery during April 2020.

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

12. ADOPTION OF NEW ACCOUNTING STANDARDS

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

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

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

NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 29 February 2020

12. ADOPTION OF NEW ACCOUNTING STANDARDS (CONTINUED)

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

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

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

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

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

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

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

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

12. ADOPTION OF NEW ACCOUNTING STANDARDS (CONTINUED)

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

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

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

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

GENERAL INFORMATION

JSE Listings Requirements

In accordance with the JSE Listings Requirements, the following information is required to be disclosed:

BOARD OF DIRECTORS OF PSG KONSULT LIMITED

Independent non-executive

Jacob de V du Toit (Jaap) (65)
Lead independent non-executive director
BAcc, CA(SA), CTA, CFA

Appointed 17 August 1998

Patrick Ernest Burton (67)
Independent non-executive director
BComm (Hons) Financial Management, PG Dip Tax

Appointed 2 March 2014

Zitulele Luke Combi (KK) (68)
Independent non-executive director
Diploma in Public Relations

Appointed 16 April 2014

Zodwa Reshoketsoe Pearl Matsau (64)
Independent non-executive director
MPhil Economics, BA Economics

Appointed 20 July 2017

Andile Hesperus Sangqu (54)
Independent non-executive director
BCompt (Hons) (CTA), HDip Tax Law, MBL, AMP

Appointed 1 January 2020

Tamara Carol Isaacs (44)
Independent non-executive director
BComm, CA(SA), PGDA

Appointed 1 January 2020

Non-executive

Willem Theron (68)
Non-executive director and chairman
BCompt (Hons), CA(SA)

Appointed 1 March 1998

Petrus Johannes Mouton (Piet) (43)
Non-executive director
BComm (Mathematics)

Appointed 6 December 2012

Executive

Francois Johannes Gouws (55)
Chief executive officer
BAcc, CA(SA)

Appointed 1 March 2013

Michael Ian Frain Smith (Mike) (52)
Chief financial officer
BComm (Hons), CA(SA), HDip Tax, HDip Company Law

Appointed 18 July 2013

SHAREHOLDING OF DIRECTORS

The shareholding of directors in the company as at 29/28 February was as follows:

	Beneficial		Non-beneficial		Total shareholding	
As at 29 February 2020 (Audited)	**Direct Number**	**Indirect Number**	**Direct Number**	**Indirect Number**	**Number**	**%**
J de V du Toit	**–**	**–**	**–**	**6 000 000**	**6 000 000**	**0.4**
FJ Gouws	**26 139 844**	**31 000 000**	**–**	**–**	**57 139 844**	**4.3**
MIF Smith	**450 000**	**–**	**–**	**2 300 000**	**2 750 000**	**0.2**
W Theron	**–**	**–**	**–**	**23 001 232**	**23 001 232**	**1.7**
	26 589 844	**31 000 000**	**–**	**31 301 232**	**88 891 076**	**6.6**

	Beneficial		Non-beneficial		Total shareholding	
As at 28 February 2019 (Audited)	**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

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

- On 20 April 2020, Mr FJ Gouws disposed of 6 000 000 PSG Konsult Limited ordinary shares.
- On 20 April 2020, Mr FJ Gouws acquired 461 467 PSG Konsult Limited ordinary shares as he elected to invest his deferred bonus award in shares.
- On 28 – 29 April 2020, Mr W Theron disposed of 2 062 748 PSG Konsult Limited ordinary shares.

SHARE ANALYSIS

	Shareholders Number	%	Shares held Number	%
Range of shareholding				
1 – 50 000	2 871	82.5	21 568 031	1.6
50 001 – 100 000	203	5.8	13 911 031	1.0
100 001 – 500 000	258	7.4	54 679 807	4.1
500 001 – 1 000 000	49	1.4	34 123 586	2.6
Over 1 000 000	100	2.9	1 214 070 666	90.7
	3 481	100.0	1 338 353 121	100.0
Treasury shares	6		18 569 479	
	3 487		1 356 922 600	
Public and non-public shareholding				
Non-public				
Holding company	1	0.0	810 058 551	60.5
Directors and management	17	0.5	112 419 231	8.4
Public	3 463	99.5	415 875 339	31.1
	3 481	100.0	1 338 353 121	100.0
Individual shareholders holding 5% or more of shares in issue (net of treasury shares) at 29 February 2020				
PSG Financial Services Limited			810 058 551	60.5
Coronation Asset Management			125 098 117	9.3
			935 156 668	69.8

STATED CAPITAL OF THE COMPANY

The company's authorised and issued share capital at 29 February 2020 was:

Authorised
3 000 000 000 ordinary shares with no par value (2019: 3 000 000 000 ordinary shares with no par value)

Issued
1 356 922 600 ordinary shares with no par value (2019: 1 364 885 118 ordinary shares with no par value)*

* *Gross of 18 569 479 (2019: 28 217 844) treasury shares.*

Total value of stated capital at 29 February 2020 was R2 069 029 370 (2019: R2 129 572 498).

MATERIAL CHANGES

Other than the information disclosed in the summary consolidated financial statements, no material changes in the financial or trading position of the company and its subsidiaries have occurred between 29 February 2020 and the date of this notice.

CORPORATE INFORMATION

Registered name
PSG Konsult Limited
(Registration number: 1993/003941/06)
(Tax reference number: 9550/644/07/5)
JSE share code (Primary listing): KST
NSX share code: KFS
SEM share code: PSGK.N0000
Abbreviated name: PSG KST
ISIN: ZAE000191417
LEI: 378900ECF3D86FD28194

Country of incorporation
Republic of South Africa

Date of incorporation
14 July 1993

PSG Konsult head office and registered office
4th Floor, The Edge, 3 Howick Close
Tyger Waterfront
Tyger Valley
Bellville
7530
Tel: 021 918 7800
Fax: 021 918 7921

Postal address
PO Box 3335
Tyger Valley
Bellville
7536

Company secretary
PSG Management Services Proprietary Limited
(Registration number 2000/009351/07)

Website address
www.psg.co.za

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
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
(Private Bag X9000, Saxonwold, 2132)
Tel: 011 373 0000
Fax: 011 688 5200

Registrar and transfer agent (Mauritius)
Intercontinental Secretarial Services Limited
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72201
Mauritius
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