PSG Konsult

TWENTY

19

NOTICE OF ANNUAL GENERAL MEETING FOR THE YEAR ENDED 28 FEBRUARY 2019

SALIENT FEATURES

Recurring headline earnings per share

4% to 44.6 cents
2018: 43.0 cents | **2017:** 37.2 cents

Gross written premium[1]

36% to R4 498m
2018: R3 296m | **2017:** R2 854m

Number of advisers

19% to 932
2018: 784 | **2017:** 744

Total assets under management

8% to R222bn
2018: R205bn | **2017:** R175bn

Dividend per share

14% to 20.5 cents
2018: 18.0 cents | **2017:** 15.3 cents

Total assets under administration[2]

5% to R422bn
2018: R402bn | **2017:** R371bn

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

[2] Includes assets administered by PSG Asset Management of R118bn.

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

CONTENTS

PSG Konsult

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

LETTER TO SHAREHOLDERS

Notice is hereby given in terms of sections 61 and 62 of the Companies Act, No. 71 of 2008, as amended ("the Companies Act"), of the annual general meeting of the shareholders of PSG Konsult to be held at Spier Wine Estate, Baden Powell Drive, Stellenbosch on Friday, 26 July 2019 at 09:30 ("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 "PSG Konsult Group") for the financial year ended 28 February 2019.

Included with this notice are the summarised financial statements of the PSG Konsult Group for the financial year ended 28 February 2019, which are consistent with the complete audited financial statements.

A copy of the complete annual financial statements and of the summarised financial statements of the PSG Konsult Group for the financial year ended 28 February 2019 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. post to PO Box 3335, Tyger Valley, 7536.

S Hamit

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

24 June 2019

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^, 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 annual general meeting of the shareholders of PSG Konsult to be held at Spier Wine Estate, Baden Powell Drive, Stellenbosch on Friday, 26 July 2019, at 09:30 ("the AGM").

PURPOSE

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

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 28 February 2019. The complete audited annual financial statements, including the unmodified audit opinion, is available on the Company's website at www.psg.co.za, or may be requested and obtained in person, at no charge, at the Company's registered office during office hours.
- To consider and, if deemed fit, approve, with or without modification, the ordinary and special resolutions set out below.

Note:
For ordinary resolution numbers 1 to 7 (inclusive), 10 and 11 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 numbers 8 and 9 and for special resolution 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. RETIREMENT AND RE-ELECTION OF DIRECTORS

1.1 Ordinary resolution number 1

"Resolved that Mr ZL Combi, 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 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 of Southern Africa and serves on various listed and unlisted companies' boards, including Curro Holdings Limited and he is chairman of PSG Group Limited and Pioneer Food Group Limited. KK was previously the executive chairman of Thembeka Capital (RF) Limited.

1.2 Ordinary resolution number 2

"Resolved that Mr PJ Mouton, 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 PJ Mouton ("Piet")

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

The reason for ordinary resolution numbers 1 and 2 (inclusive) is that the memorandum of incorporation of the Company, the Listings Requirements of the JSE Limited ("JSE") and, to the extent applicable, the Companies Act of South Africa ("Companies Act"), require that a component of the non-executive directors rotate at every annual general meeting of the Company and, being eligible, may offer themselves for re-election as directors.

2. APPOINTMENT OF THE MEMBERS OF THE AUDIT COMMITTEE

2.1 Ordinary resolution number 3

"Resolved that Mr PE Burton, being eligible, be and is hereby re-appointed as a member of the audit committee of the Company, as recommended by the board of directors of the Company, until the next annual general meeting of the Company."

A summary curriculum vitae of Mr PE Burton ("Patrick")
Patrick served at Moores Rowland Chartered Accountants for eight years, during which he completed his training contract. He emigrated to Canada in 1982 and worked for Lanvethol and Horwath (chartered accountants) from 1982 to 1984. His experience includes executive and non-executive positions in fishing, financial services, food and allied services.

2.2 Ordinary resolution number 4

"Resolved that Mr J de V du Toit, being eligible, be and is hereby re-appointed as a member of the audit committee of the Company, as recommended by the board of directors of the Company, until the next annual general meeting of the Company."

A summary curriculum vitae of Mr J de V du Toit ("Jaap")
Jaap started his career at the Trust Building Society in 1984 and thereafter joined Senekal, Mouton & Kitshoff Securities in 1988. He co-founded both PSG Group Limited in 1996 and PSG Konsult Limited in 1998. Previously, Jaap was a board member of PSG Group Limited and chairman of PSG Konsult Limited (1998 – 2013). He is currently a board member of PSG Konsult and the chairman of KAP Industrial Holdings and 12Cape Limited.

2.3 Ordinary resolution number 5

"Resolved that Mr ZL Combi, subject to the approval of ordinary resolution number 1, being eligible, be and is hereby re-appointed as a member of the audit committee of the Company, as recommended by the board of directors of the Company, until the next annual general meeting of the Company."

A summary curriculum vitae of Mr ZL Combi is set out in paragraph 1.1 above.

2.4 Ordinary resolution number 6

"Resolved that Ms ZRP Matsau, being eligible, be and is hereby re-appointed as a member of the audit committee of the Company, as recommended by the board of directors of the Company, until the next annual general meeting of the Company."

A summary curriculum vitae of Ms ZRP Matsau ("Zodwa")
Zodwa holds the qualifications MPhil Economics and BA Economics at University of Glasgow and National University of Lesotho, respectively. She started her career as an economist at the Central Bank of Lesotho and was ultimately promoted to Head of Money & Capital Markets: Central Bank of Lesotho. Her career experience thereafter included 18 years at the South African Reserve Bank in various key roles, including serving as company secretary and finally serving as Senior Deputy General Markets: Financial Markets.

The reason for ordinary resolution numbers 3 to 6 (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 re-appointed, as the case may be, at each annual general meeting of a company.

3. RE-APPOINTMENT OF AUDITOR

Ordinary resolution number 7

"Resolved that PricewaterhouseCoopers Inc. be and is hereby re-appointed as auditor of the Company for the ensuing year 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 7 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 re-appointed, as the case may be, each year at the annual general meeting of the Company as required by the Companies Act.

4. GENERAL AUTHORITY TO ISSUE ORDINARY SHARES FOR CASH

Ordinary resolution number 8

"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 Listings Requirements of the JSE ("JSE Listings Requirements"), provided that:

- the approval shall be valid until the date of the next annual general meeting 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 67 259 506 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 be comprised of 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 Stock Exchange News Service 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 8 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.

5. AMENDMENT OF THE PSG KONSULT GROUP SHARE INCENTIVE TRUST DEED

Ordinary resolution number 9

"Resolved that the existing trust deed of the PSG Konsult Group Share Incentive Trust ("PSG Konsult SIT Deed"), which contains the terms of and governs the Company's share incentive scheme, be amended and replaced by a new trust deed, the principal terms of which are summarised in Annexure A to this notice of AGM."

The reason for ordinary resolution number 9 is to obtain the approval of shareholders to amend and replace the PSG Konsult SIT Deed, such approval being required in terms of paragraph 14.2 read with paragraph 14.1, of schedule 14 of the JSE Listings Requirements.

The proposed amendments do not alter the fundamental mechanism under the existing PSG Konsult SIT Deed for the awarding or vesting of share options, the vesting period or the determination of the strike price.

Given that the PSG Konsult SIT Deed has been amended several times in recent financial years via separate addenda (such amendments having been duly approved by shareholders) and that the changes that are proposed, while not fundamental, will affect in numerous provisions in the trust deed, it is the intention, for ease of reference and to assist shareholders, to conclude a new comprehensive replacement trust deed, instead of an addendum.

The replacement trust deed provides greater clarity regarding the net settlement of share options, which may, in the discretion of the board, occur through the delivery of shares or by way of a cash payment.

The share incentive scheme previously allowed for loan funding to be provided to scheme beneficiaries in respect of the strike price and tax payable of the share options exercised (in practice no such loans have been extended). Under the proposed amendments, the Trust will in future no longer be able to provide such loans.

The principal terms of the replacement trust deed are summarised in Annexure A to this notice of AGM, while a copy of the full replacement trust deed will be available on the Company's website at www.psg.co.za and may be requested and obtained in person, at no charge, at the Company's registered address and at the Stellenbosch and Johannesburg offices of the Company's JSE sponsor, PSG Capital (Pty) Ltd, until the date of the AGM.

For this resolution to be adopted, at least 75% of the shareholders present in person or by proxy and entitled to vote on this resolution at the AGM must cast their vote in favour of this resolution. In determining whether the requisite number of votes have been achieved to adopt this resolution, the votes attaching to any shares held by the PSG Konsult Group Share Incentive Trust and the votes attaching to shares acquired in terms of the share incentive scheme and owned or controlled by persons who are existing participants in the scheme, and which may be impacted by the resolution, will not be taken into account.

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

Ordinary resolution number 10

"Resolved that the Company's remuneration policy, as set out on pages 19 to 25 of this notice, be and is hereby endorsed by way of a non-binding advisory vote."

The reason for ordinary resolution number 10 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 annual general meeting. This enables shareholders to express their views on the remuneration policy adopted. The effect of ordinary resolution number 10, if passed, will be to endorse the Company's remuneration policy. Ordinary resolution number 10 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 11

"Resolved that the Company's implementation report in respect of its remuneration policy, as set out on pages 26 to 29 of this notice, be and is hereby endorsed by way of a non-binding vote."

The reason for ordinary resolution number 11 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 annual general meeting. This enables shareholders to express their views on the implementation of a company's remuneration policy. The effect of ordinary resolution number 11, if passed, will be to endorse the Company's implementation report in relation to its 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 and its implementation.

Should 25% or more of the votes exercised in respect of ordinary resolution number 10 or ordinary resolution number 11 be against either resolution, 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 below (together with value-added tax thereon, to the extent applicable), provided that this authority will be valid until the next annual general meeting of the Company":

	Current annual remuneration (excl. VAT)	Proposed annual remuneration (excl. VAT)
PSG KONSULT BOARD		
Board Chairman	R963 000	R1 021 000
Board member	R235 400	R250 000
PSG KONSULT AUDIT COMMITTEE		
Chairman	R107 000	R113 400
Member	R64 200	R68 000
PSG KONSULT RISK COMMITTEE		
Chairman	R107 000	R113 400
Member	R64 200	R68 000
PSG KONSULT REMUNERATION COMMITTEE		
Chairman	R53 500	R56 700
Member	R32 100	R34 000
PSG KONSULT SOCIAL AND ETHICS COMMITTEE		
Chairperson	R53 500	R56 700
Member	R32 100	R34 000
PSG KONSULT NOMINATIONS COMMITTEE		
Chairman*	n/a	R28 350
Member*	n/a	R17 000

The non-executive director fees will be increased by 6% from the previous financial year.

* *The inaugural meeting of the nominations committee was held on 13 February 2019 and no fees were paid during the 2019 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 annual general meeting 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 meaning attributed to it 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 annual general meeting 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 annual general meeting 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 meaning attributed to it 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 annual general meeting 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 annual general meeting 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 subsidiary raises 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 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 annual general meeting 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 20% 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 Company and its subsidiaries ("the PSG Konsult Group") have 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 PSG Konsult 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 unforeseen 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 annual general meeting 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 PSG Konsult Group would not be compromised as to the following:

   - the PSG Konsult 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 PSG Konsult 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 PSG Konsult 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 PSG Konsult Group;

- the ordinary capital and reserves of the PSG Konsult Group, after the purchase, will remain adequate for the purpose of the business of the PSG Konsult 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 PSG Konsult Group, after the repurchase, will be sufficient for the PSG Konsult 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 58 and 59 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 resolution numbers 2, 3 and 4 are renewals of resolutions taken at the previous annual general meeting on 22 June 2018.

VOTING

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, 14 June 2019.

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, 19 July 2019, with the last day to trade being Tuesday, 16 July 2019.

3. Meeting participants will be required to provide proof of identification to the reasonable satisfaction of the chairman of the AGM and must accordingly bring a copy of their identity document, passport or driver's licence to the AGM. If in doubt as to whether any document will be regarded as satisfactory proof of identification, meeting participants should contact the transfer secretaries for guidance.

4. 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, speak 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 (Pty) Ltd (Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 or PO Box 61051, Marshalltown, 2107), or emailed to them at proxy@computershare.co.za, so as to be received by the transfer secretaries by not later than 09:30 on Wednesday, 24 July 2019, 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 sbissumroy@intercontinentaltrust.com, so as to be received by the registrar and transfer agent by not later than 11:30 (Mauritius Time) on Wednesday, 24 July 2019. 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 handed to the chairman of the AGM at any time before the appointed proxy exercises any shareholder rights at the AGM.

5. Dematerialised shareholders, other than own-name registered dematerialised shareholders, who wish to attend the AGM in person will need to request their 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.

6. Shareholders present in person, by proxy or by authorised representative shall, on a show of hands, have one vote each and, on a poll, have one vote in respect of each share held.

7. Save where otherwise indicated, all times reflected in this notice and in the accompanying form of proxy, refer to South African time.

ELECTRONIC PARTICIPATION

1. Shareholders or their proxies may participate in the AGM by way of telephone conference call ("teleconference facility").
2. Please note that the teleconference facility will only allow shareholders to listen in and raise questions during the allocated time. Shareholders will not be able to vote using the teleconference facility. Should such shareholders wish to vote, they must either:
   - complete the proxy form and return it to the transfer secretary, Computershare Investor Services (Pty) Ltd, or (in the case of shareholders on the Mauritian share register) return it to the Mauritian register and transfer agent, Intercontinental Secretarial Services Limited, in accordance with paragraph 4 above; or
   - contact their CSDP or broker in accordance with paragraph 5 above, as applicable.
3. Shareholders or their proxies who wish to participate in the AGM via the teleconference facility must notify the Company by emailing the company secretary company.secretary@psg.co.za by no later than Friday, 19 July 2019. The company secretary will first validate such requests and confirm the identity of the shareholder in terms of section 63(1) of the Companies Act and thereafter, if validated, provide further details on using the teleconference facility. Only a total of 20 telecommunication lines will be available for such participation, which will be allocated on a first come, first served basis.
4. The cost of the participant's phone call will be for his/her own expense and will be billed separately by his/her own telephone service provider.
5. The Company cannot guarantee that there will not be a break in communication which is beyond the control of the Company.
6. The participant acknowledges that the telecommunication lines are provided by a third party and indemnifies the Company against any loss, injury, damage, penalty or claim arising in any way from the use or possession of the telecommunication lines, 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 telecommunication lines or any defect in it or from total or partial failure of the telecommunication lines and connections linking the telecommunication lines to the AGM.

By order of the board

PSG Management Services Proprietary Limited
Company secretary

Tyger Valley
24 June 2019

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
PO Box 61051, Marshalltown, 2107

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

PSG Konsult

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

ANNEXURE A

PSG Konsult Group Share Incentive Trust Deed – Summary of principal terms following the proposed amendments

Note:
No fundamental changes are being proposed to the PSG Konsult Group Share Incentive Trust Deed. In essence, the proposed changes are aimed at providing greater clarity regarding the net settlement of share options and will remove the ability of the trust to provide loans to Beneficiaries in respect of the strike price and tax payable on share options. As PSG Konsult has opted to incorporate these changes in a consolidated replacement trust deed, rather than a separate addendum to the existing trust deed, it is required, under the JSE's Listings Requirements, to provide shareholders with a full summary of the principal terms of the replacement trust deed, most of which are identical to those contained in the current trust deed.

This annexure contains a summary of the principal terms of the replacement trust deed as referred to in ordinary resolution number 9 in the notice of AGM to which this annexure is attached. The reason for ordinary resolution number 9 is to obtain the approval of shareholders to amend and replace the trust deed, such approval being required in terms of paragraph 14.2, read with paragraph 14.1, of schedule 14 of the JSE Listings Requirements.

The proposed amendments do not alter the fundamental mechanism under the existing trust deed for the awarding or vesting of share options, the vesting period or the determination of the strike price.

Given that the trust deed has been amended several times in recent financial years via separate addenda (such amendments having been duly approved by shareholders) and that the changes that are proposed, while not fundamental, will affect various provisions in the trust deed, it is the intention, for ease of reference and to assist shareholders, to conclude a new comprehensive replacement trust deed, instead of an addendum.

SUMMARY OF THE PRINCIPAL TERMS

Note:
The summary below is of the principal terms of the full replacement trust deed. The summary therefore also includes the proposed amendments to the existing share incentive scheme terms, which are, as mentioned above, not of a fundamental nature.

1. Interpretation

In this summary below, unless a contrary intention clearly appears, words in the singular include the plural and vice versa, words signifying one gender include the other genders, a reference to a natural person includes a juristic person and vice versa, and the following terms shall have the meanings assigned to them hereunder –

1.1 "Beneficiary" means a Participant who has accepted the grant of an Option in terms of the provisions of the Scheme;

1.2 "Beneficiary Taxation" means any obligation (including in terms of pay-as-you-earn), risk or liability, actual or contingent, incurred by the Company, a Group Company or the Trust, in respect of any form of taxation payable by a Beneficiary in terms of the Scheme, including any taxation payable in respect of his Scheme Shares as at the date of exercising thereof;

1.3 "Board" means the Board of Directors for the time being of the Company acting either itself or through any committee (including any remuneration committee appointed by the Board) constituted from time to time and appointed by the Board for the purpose of administering the Scheme;

1.4 "Company" or "PSG Konsult" means PSG Konsult Limited (registration number: 1993/003941/06) or its successor in title;

1.5 "Employee" means any employee or director of a Group Company, from time to time;

1.6 "Exercise Period" means the five-month period commencing on the applicable Vesting Date or any extension thereof pursuant to clause 2.18;

1.7 "Group" means, collectively, the Company and its subsidiaries from time to time, and "Group Company" means any entity forming part of the Group from time to time;

1.8 "Option" means an option of Shares awarded to an Employee under the Scheme, which when exercised in respect of the Shares to which the Option relates (or any part thereof), shall result in a delivery of those Shares to the Beneficiary subject to the provisions of the Deed;

1.9 "Option Date" means the effective date of the award of an Option from time to time as determined by the Board;

1.10 "Participant" means an Employee to whom Options have been granted in terms of the provisions of this Scheme; and, for the avoidance of doubt, references in the Deed to a Participant will, where applicable, include a Beneficiary;

1.11 "Scheme" means the share scheme implemented in terms of the Deed in order to enable Participants to obtain and exercise Options and pursuant thereto to acquire Shares upon the exercise of such Options and any further incentive scheme ("Further Incentive Scheme"), in terms of which Shares are purchased on behalf of Employees and are matched with Options;

1.12 "Scheme Share" means any Share arising out of the exercise of an Option in terms of the Scheme;

1.13 "Shares" means ordinary shares in the issued share capital of the Company;

1.14 "Strike Price" means an amount equal to the volume weighted average price ("VWAP") per Share determined over a period of 30 trading days on the JSE immediately preceding the Option Date or, should the Shares not have traded for more than five days during such period, then the VWAP per Share determined over a period of 60 trading days on the JSE immediately preceding the Option Date;

1.15 "Trust" means the PSG Konsult Group Share Incentive Trust governed in terms of the Trust Deed;

1.16 "Trust Deed" or "Deed" means the trust deed in respect of the Trust;

1.17 "Trustees" means the trustees of the Trust from time to time; and

1.18 "Vesting Date" means the date upon which a Beneficiary is entitled to exercise an Option, in terms of the Deed, which date shall mean and include any First Vesting Date, Second Vesting Date, Third Vesting Date and Fourth Vesting Date (as the case may be), as contemplated in paragraph 2.16 below.

2. Principal terms

2.1 The main object and purpose of the Scheme is the incentivisation and retention of Employees and to this extent the Scheme as contemplated in the Trust Deed will not be used for trading purposes. The Trust Deed facilitates and governs the implementation of the Scheme. Employees, as beneficiaries of the Scheme, shall be provided with an incentive to advance the interests and growth of the Group Companies and ultimately the Company by awarding to them in terms of the Scheme the opportunity to acquire and obtain the benefit of Shares in the Company.

2.2 It is recorded that Petrus Johannes Mouton and Zitulele Luke Combi are the Trustees of the Trust. The number of Trustees shall at all times not be less than two nor more than five. A Trustee may not be or become a Beneficiary under the Trust whilst acting as a Trustee.

2.3 Executive directors of the Company may not be appointed as Trustees of the Trust. Non-executive directors, subject to any restriction contained in the Companies Act, No 71 of 2008 ("Companies Act"), may be appointed as Trustees, provided they do not benefit from the Scheme.

2.4 The Trustees, in addition to any other duty imposed by the Deed or by any law having jurisdiction over the Deed and the Scheme, shall award Options to Employees as directed by the Board.

2.5 The maximum aggregate number of Shares that may be utilised for purposes of this Scheme, shall not exceed 200 000 000 Shares or such other number of Shares, as may be permitted in terms of the JSE Listings Requirements from time to time, as approved by the Board and, to the extent that such approval is required under the JSE Listings Requirements or other law, by the Company's shareholders.

2.6 The maximum number of Shares that may be acquired by any one Beneficiary in terms of the Scheme, shall not exceed 50 000 000 Shares or such other number of Shares, as may be permitted in terms of the JSE Listings Requirements from time to time, as approved by the Board and, to the extent that such approval is required under the JSE Listings Requirements or other law, by the Company's shareholders.

2.7 The limits contained in paragraphs 2.5 and 2.6 are subject to any adjustment in terms of paragraph 2.33 below. Save as expressly indicated otherwise in the Trust Deed, Scheme Shares shall in all respects rank *pari passu* with ordinary issued Shares, including as to voting, dividend, transfer and other rights and as to rights arising on a liquidation of the Company.

Awarding of Options

2.8 The Board, subject to paragraph 2.5 and paragraph 2.6, may from time to time instruct and authorise the Trustees in writing to award Options to such Employees selected by it to participate in the Scheme ("the Resolution"). The Resolution shall specify the name of the Employee, the number of Options, the Option Date and/or the Strike Price which will apply to the awarding and/or vesting of such Options (if applicable) and any other relevant terms and conditions as may be determined by the Board. Each such Option shall be offered for purchase at the Strike Price. The Trustees shall as soon as practicable award the Options to the persons named in the Resolution on the terms set out in the Resolution.

Awards under Further Incentive Scheme

2.9 The Board may from time to time instruct and authorise the Trustees in writing to acquire and hold Shares on behalf of Employees selected by the Board and who have opted to invest the deferred component of their bonus in the Company, whereupon such Shares will be purchased and/or subscribed for by the Trust and will be kept by the Trust, until such time as the Board instructs the Trustees to release and transfer such Shares (and pay over any distributions that have been received in respect of such Shares, while they were held by the Trust) to the Employees in question.

2.10 The number of Shares to be acquired by the Trust for an Employee in terms of paragraph 2.9 shall be calculated by dividing the deferred component of such Employee's bonus, as communicated by the Board, by the VWAP per Share at which such Shares were purchased or subscribed for, as the case may be, by the Trust plus the share transfer tax per Share (if applicable), with any fraction of a Share being rounded up (where such fraction comprises 0.5 or more or a Share) or otherwise being rounded down. Should any Shares be issued to the Trust in this regard, such Shares will not be issued at a discount of more than 10% to the VWAP of the Shares, as determined over the 30 business days prior to the date of issue.

2.11 Half of the Shares held by the Trust on behalf of an Employee, as well as all distributions received in respect of those Shares, will be released by the Trust and be transferred to that Employee with effect from the first anniversary of the date on which such Shares were first acquired by the Trust in terms of paragraph 2.9 ("Acquisition Date").

2.12 The remaining Shares held by the Trust on behalf of such Employee, as well as all distributions received in respect of those Shares, will be released by the Trust and be transferred to that Employee with effect from the second anniversary of the Acquisition Date.

2.13 An Option –

2.13.1 shall be awarded on the basis that if the Option is exercised the acquisition price payable by the Beneficiary concerned will be the Strike Price;

2.13.2 shall, save to any extent permitted in terms of the Trust Deed, be personal to and only capable of being accepted by the Employee to whom it is granted;

2.13.3 shall be exercised within the relevant period specified in terms of the Deed;

2.13.4 shall be exercised in writing and duly signed by the Beneficiary concerned or, if after his death it is capable of being exercised by the executors of his estate, by such executors;

2.13.5 shall, as to the number thereof awarded from time to time to any Participant, be determined by the Board, in its sole discretion;

2.13.6 shall, pursuant to the exercise of an Option, in the sole discretion of the Board, be settled upon a Beneficiary –

2.13.6.1 by way of the delivery of Shares, subject to paragraphs 2.14 and 2.23; or

2.13.6.2 on a net equity basis in accordance with paragraphs 2.24 to 2.26, by the Company making a cash payment to the Beneficiary, in lieu of Shares, it being intended that settlement under the Scheme be considered an equity-settled share-based payment for purposes of, but subject to the provisions and requirements of, International Financial Reporting Standard 2; and

2.13.7 may, in the event of settlement under clause 2.13.6.1, at the election of the Beneficiary, be settled on a net equity basis as set out in paragraphs 2.24 to 2.26.

2.14 Ownership or any other vested rights in and to the Scheme Shares shall only pass to the Beneficiary on delivery against payment of the full Strike Price and the Beneficiary Taxation and fulfilment of any other obligations of the Beneficiary in terms of the Deed.

2.15 An Option shall immediately lapse –

2.15.1 to the extent that it is not exercised within the Exercise Period of such Option;

2.15.2 in relation to Options awarded on or after 28 February 2019, in the event and to the extent that the Board determines, in its sole discretion, that the Beneficiary is guilty of poor performance as measured against any personal key performance indicators or targets as set for the Beneficiary by the Board or relevant senior management members of the Company, from time to time;

2.15.3 prior to the exercise of the Option, if the Beneficiary to whom such Option has been granted, is dismissed from employment by a Group Company on grounds of misconduct, poor performance, dishonesty or fraudulent conduct;

2.15.4 prior to the exercise of the Option, if the Beneficiary to whom such Option has been granted, ceases to be employed by any Group Company for any reason whatsoever, save to any extent expressly otherwise contemplated in terms of paragraph 2.33 below; or

2.15.5 upon the Beneficiary making application for the voluntary surrender of his estate or his estate becoming subject to any provisional or final order for its sequestration or upon any attachment of any interest of a Beneficiary under the Scheme unless the Board in its discretion passes a resolution to the contrary within 60 days of such voluntary surrender, sequestration or attachment.

Option Exercise

2.16 Options shall only be capable of being exercised in terms hereof (during the Exercise Period) on the basis of –

2.16.1 25% thereof vesting as at the 2nd anniversary of the Option Date ("First Vesting Date");

2.16.2 25% thereof vesting as at the 3rd anniversary of the Option Date ("Second Vesting Date");

2.16.3 25% thereof vesting as at the 4th anniversary of the Option Date ("Third Vesting Date"); and

2.16.4 25% thereof vesting as at the 5th anniversary of the Option Date ("Fourth Vesting Date").

2.17 An Option must be exercised during the applicable Exercise Period of such Option, provided that should the Exercise Period occur during a prohibited period (as defined in the JSE Listings Requirements), then the Exercise Period shall automatically extend for a further period of 30 days after the expiry of such prohibited period (the date on which the Participant exercises such Option being the "Option Exercise Date").

2.18 The Board, in its discretion, may instruct the Trustees to reach more favourable alternative arrangements with Participants or the relevant executor or legal representative in regard to the date or time limits of the lapsing of an Option or the exercising of an Option or the date of payment of the Strike Price or the manner for effecting payment thereof, provided that any such extension of dates or time limits shall not exceed one year.

Delivery, Forfeiture

2.19 Upon an Option Exercise Date, the number of Scheme Shares to which a Beneficiary is entitled to be allotted and issued, against payment of the Strike Price, shall be determined by the number of Options the Beneficiary elects to exercise on such Option Exercise Date.

2.20 No Beneficiary shall be entitled to payment of any dividend or any other rights attaching to any Scheme Shares until the date of registration of such Scheme Shares in the name of such Beneficiary, save to any extent expressly provided to the contrary in the Deed.

2.21 Pursuant to the exercise of an Option by a Beneficiary, upon the payment of the Strike Price and Beneficiary Taxation in full in accordance with such terms and conditions as may be imposed by the Trustees, the Trustees shall cause the Scheme Shares to be delivered to the Beneficiary and registered in the Beneficiary's (or such other party entitled thereto in terms of the Trust Deed) name.

2.22 If the Beneficiary fails to comply timeously with his obligation to pay the Strike Price and the Beneficiary Taxation in respect of any Option exercised, then, unless the Board otherwise directs, such Beneficiary shall (without prejudice to any other rights of the Trust or the Company in law) forfeit forthwith any and all of his rights to his Scheme Shares (and, if applicable, the Option in respect thereof, which Option shall be deemed to have lapsed).

Net Equity Settlement

2.23 Notwithstanding any of the other provisions of the Trust Deed but subject to the Board's overriding discretion under paragraph 2.13.6, in the event that a Beneficiary wishes to exercise his Options in terms of the Trust Deed, but is unable to, or elects not to, pay the aggregate Strike Price due in respect of such Options being exercised and the Beneficiary Taxation due in relation to the exercise of such Options, the Beneficiary may elect (in writing, together with his written notice to the Company that he is exercising his Options) to have all or any portion of his Options so exercised, settled on a net equity basis as set out below.

2.24 Where a Beneficiary has, in accordance with the provisions of paragraph 2.23, elected to have his Options settled through the delivery of Shares on a net equity basis or should the Board, in its sole discretion, resolve, for purposes of paragraph 2.13.6, that a Beneficiary's Options be settled in cash on a net equity basis, the Company will settle –

2.24.1 the Beneficiary's After-Tax Gain in accordance with paragraph 2.26; and

2.24.2 the pay-as-you-earn liability due in respect of the Options being exercised in cash.

2.25 The "After-Tax Gain" of the Beneficiary will be determined as follows –

2.25.1 First, the "Taxable Gain" of the Beneficiary will be determined using the following formula –

Taxable Gain = Market Value less Strike Value

Where Market Value = the number of Options exercised multiplied by the closing market price per Share on the Option Exercise Date

Strike Value = the number of Options exercised multiplied by the Strike Price per Share

2.25.2 Next, the "After-Tax Gain" will be determined using the following formula –

After-Tax Gain = Taxable Gain less Tax Payable

The "Tax Payable" will be calculated on the Taxable Gain based on the applicable income tax rate which applies to the Beneficiary as per the tax directive obtained.

2.26 The After-Tax Gain will then be settled by the Company, either by the issue and allotment of such number of Shares by the Company, or by the transfer of such number of Shares by the Trust or the Company, or by making a cash payment to the Beneficiary in lieu of Shares, following the relevant Option Exercise Date, as determined using the formula set out below, as the case may be –

Number of Shares = After-Tax Gain divided by the closing market price per Share on the Option Exercise Date rounded to the nearest full number, as no fractions of Shares will be issued.

Termination of Employment

2.27 If a Beneficiary ceases to be an Employee by reason of death –

2.27.1 the executor or legal representative of the Beneficiary's estate shall be deemed to be a Beneficiary and the provisions of the Trust Deed will continue to apply *mutatis mutandis* save to any extent provided to the contrary in the Scheme;

2.27.2 any Options which are capable of being exercised, as at the date of death of such Beneficiary or within a period of 12 months thereafter ("Vesting Options"), shall be and remain capable of exercise, provided that such Vesting Options must be exercised in terms hereof within 12 months of the date of death of the Beneficiary, failing which the Beneficiary (and his estate) shall be deemed to have immediately forfeited his rights (unless the Board determines to the contrary) in respect of any such Vesting Options;

2.27.3 the Board in its sole discretion may permit such Beneficiary to exercise any or all of his unexercised Options (which Options, for the avoidance of any doubt, shall include any Options not covered in terms of paragraph 2.27.2).

2.28 If a Beneficiary ceases to be an Employee by reason of retirement or retrenchment –

2.28.1 are capable of being exercised, as at the date of retirement or retrenchment of such Beneficiary or within a period of 12 months thereafter ("Vesting Options"), shall be and remain capable of exercise, provided that such Vesting Options must be exercised in terms hereof within 12 months of the date of retirement or retrenchment of the Beneficiary, failing which the Beneficiary shall be deemed to have immediately forfeited his rights (unless the Board determines to the contrary) in respect of any such Vesting Options;

2.28.2 the Board in its sole discretion may permit such Beneficiary to exercise any or all of his unexercised Options (which Options, for the avoidance of any doubt, shall include any Options not covered in terms of paragraph 2.28.1).

2.29 If a Beneficiary ceases to be an Employee by reason of the dismissal of such Employee on grounds of misconduct, poor performance or dishonest or fraudulent conduct (whether or not such cessation occurs as a result of notice given to or by him or otherwise or where he resigns to avoid dismissal on grounds of misconduct, poor performance or dishonest or fraudulent conduct), then, notwithstanding anything to the contrary in the Deed, such Beneficiary shall be deemed to have immediately forfeited his rights in respect of any unexercised Options.

2.30 If a Beneficiary ceases to be an Employee by reason of circumstances other than those set out in paragraphs 2.27 to 2.29 above (including resignation), then the provisions of paragraph 2.29 shall apply *mutatis mutandis* unless the Board, by written notice to the Trustees and the Beneficiary within 60 days of the date of termination of such employment, states that in its determination the circumstances surrounding the cessation of employment are such that the provisions of paragraph 2.29 should not apply *mutatis mutandis* in which event the Board in its sole discretion may permit such Beneficiary to exercise any or all of his unexercised Options (as determined by the Board) upon such terms and conditions as the Board may determine and otherwise in accordance with the provisions of this Scheme *mutatis mutandis*.

2.31 Save if expressly stated or provided in the Trust Deed to the contrary (including in paragraphs 2.27 to 2.30) or further save to the extent that the Board in its sole discretion otherwise resolves or determines, if any Beneficiary ceases to be an Employee of a Group Company for any reason whatsoever prior to the exercise of any Options, then in such event such Beneficiary shall be deemed to have immediately forfeited his rights to exercise any such unexercised Options (or any part thereof).

2.32 The Board may in its sole discretion instruct the Trustees to reach more favourable alternative arrangements with a Beneficiary in the case of cessation of employment.

Reorganisation of the Group

2.33 If the Company at any time before the exercise of any Options –

2.33.1 is put into liquidation for the purposes of reorganisation;

2.33.2 is party to a scheme of arrangement in terms of the Companies Act affecting the structuring of its share capital;

2.33.3 reduces its capital;

2.33.4 pays a special dividend;

2.33.5 splits, sub-divides or consolidates its Shares;

2.33.6 is a party to a reorganisation;

2.33.7 undertakes a rights offer or capitalisation issue; or

2.33.8 otherwise changes its capital in any other manner not contemplated in terms of paragraphs 2.33.1 to 2.33.7 above, the Board shall be entitled to instruct the Trustees to affect such adjustments to the Strike Price in respect of Scheme Shares for which an Option has been granted but not yet exercised and to the maximum number of shares set out in paragraph 2.5 and paragraph 2.6, as the Board shall consider fair and reasonable in the circumstances, subject thereto that such adjustment shall give a Participant an entitlement to the same proportion of the equity capital of the Company as that to which he was previously entitled. Any adjustment in terms of this paragraph shall be subject to the Company's auditors confirming to the JSE in writing that the adjustments are in accordance with the provisions of the Scheme. The auditors shall act as experts and not as arbitrators and their decision shall be final and binding.

2.34 Any adjustments made pursuant to paragraph 2.33 above shall be reported on in the annual financial statements of the Company in the year during which the adjustments are made.

2.35 If the Company is placed in liquidation otherwise than in terms of paragraph 2.33, then any unexercised Options in the Company in liquidation shall *ipso facto* lapse from the date of liquidation (being the date upon which any application (whether provisional or final) for the liquidation is lodged with the relevant court or the date upon which the special resolution, placing the Company into liquidation is registered with the Registrar of Companies, whichever is applicable).

2.36 The Company is currently a subsidiary of PSG Group Limited. If the Company becomes a subsidiary of any other company as a result of a take over, reconstruction or amalgamation which makes provision for the Trust to receive options or shares in such other company in exchange for the Options or shares held in terms hereof at the time of such take over, reconstruction or amalgamation, on terms and conditions, which the Company's auditors (acting as experts and not as arbitrators) determine in their discretion as not less favourable to the Trust and the Participants (such determination being final and binding), the Trustees and the Participants shall be obliged to accept such options or shares in that other company upon those terms and conditions.

2.37 If the Company becomes a subsidiary of any other company as a result of a take over, reconstruction or amalgamation which does not make provision for the Trust to receive options or shares in such other company in exchange for the Options or shares held in terms hereof at the time of such take over, reconstruction or amalgamation, the Trust shall as compensation to the Participants make a cash payment to same that it considers fair and reasonable in the circumstances, taking into consideration the time value of money.

REMUNERATION REPORT

THE REMUNERATION COMMITTEE CHAIRMAN'S STATEMENT

Introduction and context

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

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

Our approach to remuneration demonstrates an industry highly reliant on intellectual capital that is people orientated and driven by exceptional talent, producing both individual and group performance. We create an environment to develop entrepreneurs in an agile corporate structure, fit for the rapidly changing environment in which we operate. Our remuneration framework is competitive in the market in which we operate and supports shareholder value creation. In the 2019 financial year we reviewed our governance framework against the Prudential Standards and have embedded the requirements of the King IV Report on Corporate Governance™ for South Africa, 2016 ("King IV™").

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

Our 'fit for purpose' remuneration policy and framework are set out in the 'remuneration policy' section of this report from page 19. We are satisfied that the 2019 remuneration policy achieved its stated objectives.

In conclusion

Our 2019 remuneration policy was well received by shareholders and achieved a non-binding advisory vote of 97.06% in its favour at the 2018 annual general meeting, while the remuneration implementation report also received a vote of 97.26% in its favour.

We will place our 2020 remuneration policy and our implementation report to two separate non-binding advisory votes at our 2019 AGM. If the remuneration policy or implementation report is voted against by 25% or more of the votes exercised at the 2019 AGM, PSG Konsult will in its voting results announcement pursuant to the Listings Requirements of the JSE Limited extend an invitation to dissenting shareholders to engage with the group. We look forward to your ongoing support and engagement on the policy.

KK Combi
Chairman of the remuneration committee

REMUNERATION POLICY

Introduction

PSG Konsult and all its subsidiary entities, including insurance entities ("the group") aims to remunerate directors, executives and employees fairly and responsibly. This approach takes cognisance of remuneration best practices to ensure that the group attracts and retains appropriate skills and talent. Sound remuneration practices are an essential component of an effective governance framework. The remuneration policies and practices aim to align remuneration with the long-term interests of the group and other stakeholders and to discourage excessive or inappropriate risk-taking.

Philosophy

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

Policy scope

This remuneration policy ("the policy") is a general policy applicable to all employees[1] of the group (which, for the avoidance of doubt, includes all key persons and other persons whose actions may have a material impact on the risk exposure of the group, including persons to whom functions are outsourced). The policy outlines the approach of the group to remunerating directors, executives and employees. For all remuneration considerations, 'remuneration' has the meaning as defined in section 30(6) of the Companies Act, 71 of 2008 (as amended) ("Companies Act"):

"(6) For the purposes of subsections (4) and (5), 'remuneration' includes –

(a) fees paid to directors for services rendered by them to or on behalf of the company, including any amount paid to a person in respect of the person's accepting the office of director;

(b) salary, bonuses and performance-related payments;

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

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

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

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

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

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

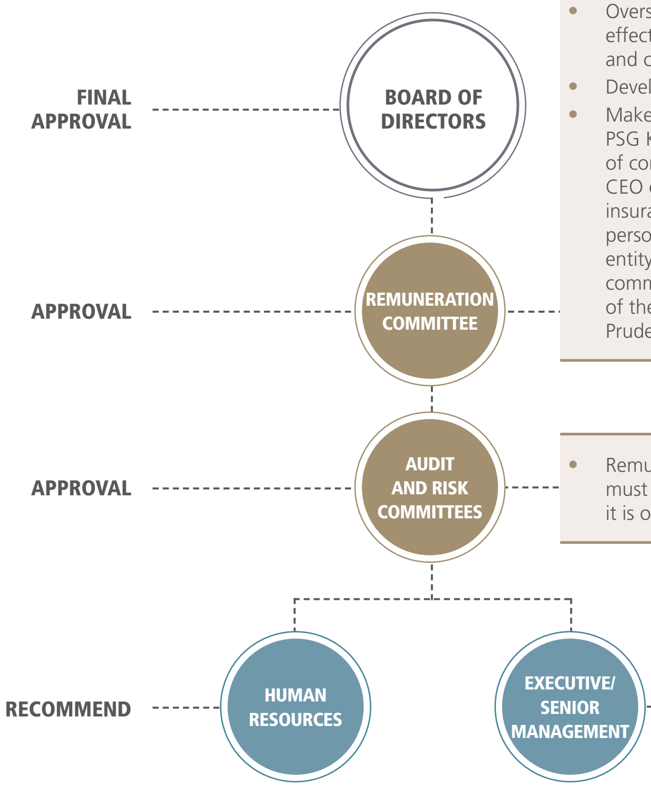
(ii) the difference in value between –

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

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

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

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



- 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 remuneration committee)
- 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).

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

Remuneration elements

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

Remuneration elements include:

GUARANTEED PAY

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 remuneration committee has structured executive and senior employee remuneration who have authority and responsibility for planning, directing and controlling the activities of the group, to allow for higher levels of variable pay than guaranteed (fixed) remuneration. This ensures that these employees are adequately incentivised to manage the group responsibly and avoid excessive risk taking and assists the business manage operational costs.

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

Short-term variable compensation

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

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

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

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

Variable pay deferral

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

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

Long-term incentive scheme

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

Shares vest as follows:

- 2 years after grant date: 25%
- 3 years after grant date: 25%
- 4 years after grant date: 25%
- 5 years after grant date: 25%

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

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

Termination of employment

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

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

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

Employee benefits and wellness

The group provides three times group life cover and disability benefit and income cover, which is capped at the lower of 75% of the employee's guaranteed pay or R200 000 per month (amount is adjusted annually by inflation).

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

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

Remuneration of key persons

Non-executive members of the board

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

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

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

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

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

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

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

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

Heads of control functions

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

- Internal audit function: Recommendation to the group audit committee for approval
- Finance, Risk and Compliance functions: Recommendation to the group remuneration committee for consideration

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

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

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

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

- is not linked to the performance of any business units that they control or oversee; and
- does not in any way undermine their independence from senior management.

Remuneration of other employees

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

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

- is based on the performance of the group, division or insurance entity; and
- is based on the performance of the individual employee.

Governance

Remuneration is governed by the group remuneration committee. This committee is mandated by the boards of PSG Konsult and its insurance entities, and reports to them. The group remuneration committee also governs how remuneration is administered. It considers the holistic compensation model and the specific remuneration of all executive directors and prescribed officers, including fees paid to all non-executive directors. Furthermore, the remuneration committee is responsible for awarding share incentives to group executives, and ensuring that they are market- and performance-related.

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

The group remuneration committee is responsible for developing and conducting regular reviews of this policy, as well as monitoring the implementation and effectiveness of this policy and its compliance with the relevant Prudential Standard. Under King IV™ and the Companies Act, individual remuneration of prescribed officers is disclosed. Full compensation details have been included in the implementation report, which is included from page 26. Furthermore, an independent control function monitors how remuneration is applied to make sure that the group remuneration committee complies with this policy.

The group remuneration committee is governed by its terms of reference.

Guidelines in reviewing the effectiveness of the policy

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

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

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

Changes to the remuneration policy during the 2019 financial year

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

Remuneration policy section	Amendment
Roles and responsibilities relating to the policy (page 20)	The roles and responsibilities relating to the remuneration policy have been expanded and includes the following specific requirements: • Remuneration for the head of internal audit must be approved by the audit committee. • The remuneration committee is responsible for overseeing and reviewing compliance with the Prudential Standards.
Remuneration elements: **Short-term variable compensation (page 21)**	The policy has been amended to clarify that the assessment of performance is based on a combination of assessing individual and collective performance, such as performance of the business area and the overall results of the group or the relevant insurance entity.
Remuneration of key persons (page 23)	The policy has been amended to include the following requirements relating to the remuneration of group heads of control functions. • Internal audit function: total compensation to be approved by the group audit committee. • Finance, risk and compliance functions: total compensation to be recommended to the group remuneration committee for consideration. The policy has been amended to include the following requirements relating to the remuneration of heads of control functions in each insurance entity: • Internal audit function: total compensation to be approved by the relevant audit committee, unless outsourced. • Finance, risk, compliance and actuarial functions: total compensation to be recommended to the group remuneration committee for consideration. The policy was amended to clarify that the guaranteed remuneration for all heads of control functions include financial (if relevant) and non-financial performance.
Governance of remuneration (page 24)	The policy has been amended to state that: • Reference to the chief executive officer also extends to the person controlling the relevant insurance entity or other persons whose activities may, in the group remuneration committee's opinion, affect the financial soundness of the group or relevant insurance entity and any other person specified by the Prudential Authority. • The remuneration committee is responsible for developing and conducting regular reviews of the policy, as well as monitoring the implementation and effectiveness of this policy and its compliance with the relevant Prudential Standard.

IMPLEMENTATION REPORT

Fixed remuneration

The Remco approved an organisation-wide inflationary salary increase in line with the industry sector. After due consideration, the committee is satisfied that the increase levels for executive directors are in line with the increase levels for all other employees.

Long-term incentives ("LTIs")

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

Evaluating executive directors' long-term remuneration

The significant value of options redeemed/exercised during the year and closing indicative expected value included in the table on page 27 should be considered in light of the group's remuneration policy, which is specifically designed to align the interests of the executive directors with those of shareholders, together with their successful execution of the group's objective of value creation for its shareholders and of the long-term interests of clients and policyholders.

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

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

When evaluating the group's performance over the long term, one should focus on the total return index ("TRI") as a measurement tool. The TRI is the CAGR of an investment and is calculated by taking cognisance of share price appreciation, dividends and other distributions. This is a sound measure of wealth creation and a reliable means of benchmarking different companies. The group's TRI as at 28 February 2019 was 18% per annum over the past five years. Therefore, if you had purchased R100 000 worth of PSG Konsult shares on 28 February 2014 and reinvested all your dividends, your investment would be worth around R231 461 as at 28 February 2019. The same investment in either the JSE All Share Index ("ALSI") or JSE Financial Index ("FINI") over the same period would be worth R137 399 (41% lower) or R166 193 (28% lower), respectively.

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

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

The following directors' remuneration was accrued by subsidiaries in the PSG Group for the year ended 28 February 2019:

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

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

[1] *The value of options redeemed/exercised is the number of share options exercised in the 2019 financial year multiplied by growth in share price (market value share price at exercise less option grant price).*

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

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

- On 23 April 2019 Messrs FJ Gouws and MIF Smith respectively accepted 4 000 000 and 1 000 000 share option awards at a strike price of R10.15 per share. These are exercisable in tranches of 25% each on the 2nd, 3rd, 4th and 5th anniversary of the award date.

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

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

[1] *The value of options redeemed/exercised is the number of share options exercised in the 2019 financial year multiplied by growth in share price (market value share price at exercise less option grant price).*

[2] *This column shows the number of outstanding options at year-end multiplied by the PSG Group Limited 30-day volume weighted average share price, less the strike price of the instruments.*

Directors' and prescribed officers' remuneration

The remuneration received by the PSG Konsult executive directors, non-executive directors and prescribed officers, from subsidiaries in the PSG Group, for the 2019 and 2018 financial years, is set out in the following tables:

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

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

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

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

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

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

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

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

7 *Total performance incentive bonus awarded was R21.5 million (2018: R20.0 million). 70% of bonus awarded, being R15.1 million (2018: R14.0 million), is unconditional and was paid in cash in April 2019 and April 2018, respectively. The remaining 30% has been paid to the director; however, is conditional on the director remaining in employment and is subject to clawback provisions. The conditional portion of the bonus vests as follows: R3.2 million in April 2020 (2018: R3.0 million in April 2019), being 12 months after award date, while the remaining R3.2 million (2018: R3.0 million; 2017: R2.6 million) is conditional for 24 months until April 2021 (2018: April 2020; 2017: April 2019).*

8 *Total performance incentive bonus awarded was R7.5 million (2018: R 7.0 million), which was paid in cash in April 2019 and April 2018, respectively, as the director has more than 10 years' service in the group (no service conditions attached to release of 30% deferred portion of bonus award).*

9 *PJ Mouton is a non-executive director of PSG Konsult Limited and has a standard service contract with PSG Corporate Services (Pty) Ltd ("PSGCS"). His remuneration for services rendered as executive director within the PSG Group for its financial year ended 28 February 2019 was R11.6 million (2018: R11.0 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 July 2018 amounted to R33.3 million.*

10 *Director's fee of R0.4 million (2018: R0.2 million) was paid as non-executive director of PSG Konsult Limited subsidiary entities.*

The prescribed officers of the group are Messrs FJ Gouws and MIF Smith, both executive directors of PSG Konsult. Their remuneration is detailed above.

APPROVAL

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

SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

COMMENTARY

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

Overview

PSG Konsult increased recurring headline earnings per share by 4% and achieved a commendable return on equity of 21.5%. The group achieved these results against a backdrop of challenging operating conditions, which included a weak economy, subdued consumer sentiment and negative returns on local equity markets and currency volatility. The performance of our key operating and financial metrics under these conditions demonstrates our competitive advantage and the resilience of our business model. Total assets under management increased by 8% to R222 billion, comprising assets managed by PSG Wealth of R175 billion (7% increase) and PSG Asset Management of R47 billion (11% increase), while PSG Insure's gross written premium amounted to R4.5 billion (36% increase). The decline of 4% in the current year of the JSE/FTSE All Share Index, compared to a positive return of 14% in the previous financial year, had a pronounced impact on performance fees, investment income earned on shareholder assets and overall fee income growth. Performance fees earned constituted only 2.9% of headline earnings in comparison to 8.6% in the previous financial year.

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

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

	28 Feb 19 R000	Change %	28 Feb 18 R000
Core income	**4 603 577**	10	4 200 308
Recurring headline earnings	**591 099**	4	566 396
Non-recurring items[1]	**12 789**		–
Headline earnings	**603 888**	7	566 396
Non-headline items	**(1 714)**		80
Earnings attributable to ordinary shareholders	**602 174**	6	566 476
Divisional recurring headline earnings			
PSG Wealth	**338 594**	0	339 129
PSG Asset Management	**167 279**	7	155 825
PSG Insure	**85 226**	19	71 442
	591 099	4	566 396
Weighted average number of shares in issue (net of treasury shares) (millions)	**1 325.1**	1	1 317.6
Earnings per share (basic) (cents)			
– Recurring headline	**44.6**	4	43.0
– Headline	**45.6**	6	43.0
– Attributable	**45.4**	6	43.0
– Recurring headline – excluding intangible asset amortisation cost	**48.4**	5	46.4
Dividend per share (cents)	**20.5**	14	18.0
Return on equity ("ROE") (%)	**21.5**		24.3

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

PSG Wealth

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

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

PSG Asset Management

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

PSG Insure

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

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

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

STRATEGY

PSG Wealth's overall strategy offers an innovative and holistic end-to-end client proposition. Uncertain markets trigger emotional decisions, so lasting solutions require expert guidance from advisers who understand the big picture. Advisers play a key role in providing us with client feedback to enhance our platform capabilities and product suite. Management is proud of the experience and stature of the advisers in the business. PSG Wealth continues to invest in enhancing the strength and depth of our technology capabilities and in-house investment research team. This fully-fledged team has both fund and security investment research analysis capabilities. The focus continues to be on digital initiatives, enhancing client experience and transactional processing capabilities. Our Wealth business is well placed to meet all the investment needs of our clients and consistently strives to improve both our client and service offerings.

PSG Asset Management's strategy consists of delivering investment excellence, operational efficiency, and effective sales and marketing initiatives. Generating the best long-term, risk-adjusted returns for investors is the division's primary focus. The division will continue to prioritise the investment team's performance, while managing operational risks and processes, and talent management. Increasing brand awareness and regular client communication continues to be a key focus area for the marketing team, allowing the division to benefit from a growing investor base.

PSG Insure provides simple and cost-effective short-term insurance solutions to clients, protecting them from unforeseen events. Building critical expertise across underwriting, administration and adviser teams underpins the focus on providing value-added products that meet and exceed clients' expectations. The division continues to invest in its administration platform and staff to optimise claims administration, product underwriting and client services. This allows the division to unlock operational efficiencies while freeing up valuable time for our top-calibre advisers to focus on client relationships. The entrepreneurial best-of-breed partnership model in place with our advisers allows our advisers to manage their own businesses under the PSG brand and benefit from the central services provided. Key central services include compliance, finance, human resources ("HR"), IT, marketing and risk management.

Building a cost-efficient, sustainable and scalable business is a key priority for the board. As such, management pays careful attention to the group's cost to income metrics as each division expands. The management team is committed to continue to invest in technology as a key enabler to achieve operational efficiencies, automation, enhanced client experience and, ultimately, sustainable growth.

RECOGNITION, AWARDS AND ACHIEVEMENTS

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

- **PSG Wealth**
  - Ranked third in the 2018 Intellidex Wealth Manager of the Year awards; up from fourth in 2017. PSG Wealth won the category for Successful Entrepreneur
- **PSG Asset Management**
  - Raging Bull Awards
    - South African Management Company of the Year: second place
    - Best South African Multi-Asset Flexible Fund on a Risk-Adjusted Basis (measuring risk-adjusted performance over five years): third place (PSG Flexible Fund)
  - Morningstar Awards
    - Finalist, Best Fund House: Larger Fund Range
    - Finalist, Best Flexible Allocation Fund (PSG Flexible Fund)
- **PSG Insure**
  - Received top honours at the 2019 Old Mutual Insure Awards and was named overall winner as Top National Broker
  - PSG Insure Meesterplan won Diamond Broker of the Year for a second time at the CIB Broker Awards in November 2018

CORPORATE ACTIVITY

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

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

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

CAPITAL MANAGEMENT

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

SHAREHOLDERS

The company's demonstrable track record on executing and delivering on our strategic goals has enabled us to further expand our institutional shareholder base.

PEOPLE

PSG Konsult had 254 adviser offices and 2 886 employees as at 28 February 2019, which included 932 wealth and insure advisers. A further 417 were professional associates (accountants and attorneys). During the year under review, the number of PSG advisers increased by 148 through a combination of organic growth and selected acquisitions, including the AIFA acquisition by PSG Insure. We believe strongly in building our own future talent and are confident that the investment in our people will allow us to continue to prosper.

REGULATORY LANDSCAPE AND RISK MANAGEMENT

PSG Konsult, which has 24 regulatory licences (17 in South Africa and 7 in foreign jurisdictions), continues to foster good relationships with our regulators.

MARKETING

Marketing initiatives are important to the group's goal of becoming a leader in the financial services industry. During the period under review, the specialist marketing team embarked on its strategy of cost-efficient brand building through online advertising and search campaigns. This was supported by increased activity on select social media platforms. The combined result has meant an increase in lead generation, traffic to the website and our social media following. Enhancing the quality of our media presence through public relations remains a constant focus. Through times of political and economic uncertainty we have also continued to focus our efforts on client interaction through tailored events. PSG has steadily increased both the quality and quantity of communications from world-class industry research for the savvy client to investor education for young savers. Clients can now choose which communications they wish to receive through the introduction of a subscription management tool.

INFORMATION TECHNOLOGY

As a group we focus on enhancing our digital capability and bringing best-of-breed technology platforms and services to our clients. We strive to delight our clients by approaching everything we do with great client experience and ideal journeys at the forefront of our development. We will continue to drive excellence through simple, scalable, stable and secure solutions.

LOOKING FORWARD

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

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

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

EVENTS AFTER REPORTING DATE

No material events have taken place since the reporting date.

DIVIDEND

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

The dividend is subject to a South African dividend withholding tax ("DWT") rate of 20% unless the shareholder is exempt from paying dividends tax or is entitled to a reduced rate in terms of the applicable double-tax agreement. Including DWT results in a net dividend of 10.8 cents per share. The number of issued ordinary shares is 1 364 885 118 at the date of this declaration. PSG Konsult's income tax reference number is 9550/644/07/5.

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

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

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

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

On behalf of the board

Willem Theron
Chairman

Francois Gouws
Chief executive officer

Tyger Valley
17 April 2019

www.psg.co.za

INDEPENDENT AUDITOR'S REVIEW REPORT ON CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF PSG KONSULT LIMITED

We have reviewed the condensed consolidated financial statements of PSG Konsult Limited, set out on pages 8 to 29 of the PSG Konsult Limited Annual Results Booklet, which comprise the condensed consolidated statement of financial position as at 28 February 2019 and the related condensed consolidated income statement, and condensed consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and selected explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements of PSG Konsult Limited for the year ended 28 February 2019 are not prepared, in all material respects, in accordance with the JSE's requirements for summary financial statements, as set out in note 2 to the financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

PricewaterhouseCoopers Inc

PricewaterhouseCoopers Inc.

Director: DG Malan
Registered Auditor

Cape Town
Date: 17 April 2019

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 28 February 2019

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

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

CONDENSED CONSOLIDATED INCOME STATEMENT

for the year ended 28 February 2019

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

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

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

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 28 February 2019

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

EARNINGS AND HEADLINE EARNINGS PER SHARE

for the year ended 28 February 2019

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 28 February 2019

	Attributable to equity holders of the group					
	Stated capital R000	Treasury shares R000	Other reserves R000	Retained earnings R000	Non-controlling interest R000	Total R000
Balance at 1 March 2017 (Audited)	1 749 505	(59 206)	(399 700)	862 689	197 212	2 350 500
Comprehensive income						
Profit for the year	–	–	–	566 476	46 175	612 651
Other comprehensive income for the year	–	–	(1 851)	–	–	(1 851)
Total comprehensive income for the year	–	–	(1 851)	566 476	46 175	610 800
Transactions with owners	159 299	(133 041)	14 829	(253 939)	(7 733)	(220 585)
Issue of ordinary shares	159 299	–	–	–	–	159 299
Share-based payment costs	–	–	36 079	–	–	36 079
Capital contribution by non-controlling interest	–	–	–	–	432	432
Net movement in treasury shares	–	(126 788)	–	–	–	(126 788)
Current tax on equity-settled share-based payments	–	–	16 404	–	–	16 404
Deferred tax on equity-settled share-based payments	–	–	(5 089)	–	–	(5 089)
Loss on issue of shares in terms of share scheme	–	–	(83 673)	–	–	(83 673)
Release of share-based payment reserve to retained earnings on vested share options	–	–	51 108	(51 108)	–	–
Release of profits from treasury shares to retained earnings	–	(6 253)	–	6 253	–	–
Dividends paid	–	–	–	(209 084)	(8 165)	(217 249)
Balance at 28 February 2018 (Audited)	1 908 804	(192 247)	(386 722)	1 175 226	235 654	2 740 715
Comprehensive income						
Profit for the year	**–**	**–**	**–**	**602 174**	**40 370**	**642 544**
Other comprehensive income for the year	**–**	**–**	**11 524**	**–**	**–**	**11 524**
Total comprehensive income for the year	**–**	**–**	**11 524**	**602 174**	**40 370**	**654 068**
Transactions with owners	**220 768**	**(38 476)**	**14 372**	**(326 149)**	**(50 716)**	**(180 201)**
Issue of ordinary shares	**220 768**	**–**	**–**	**–**	**–**	**220 768**
Share-based payment costs	**–**	**–**	**39 538**	**–**	**–**	**39 538**
Transactions with non-controlling interest	**–**	**–**	**–**	**(13 315)**	**(43 548)**	**(56 863)**
Net movement in treasury shares	**–**	**(36 023)**	**–**	**–**	**–**	**(36 023)**
Current tax on equity-settled share-based payments	**–**	**–**	**20 845**	**–**	**–**	**20 845**
Deferred tax on equity-settled share-based payments	**–**	**–**	**3 372**	**–**	**–**	**3 372**
Loss on issue of shares in terms of share scheme	**–**	**–**	**(108 849)**	**–**	**–**	**(108 849)**
Release of share-based payment reserve to retained earnings on vested share options	**–**	**–**	**59 466**	**(59 466)**	**–**	**–**
Release of profits from treasury shares to retained earnings	**–**	**(2 453)**	**–**	**2 453**	**–**	**–**
Dividends paid	**–**	**–**	**–**	**(255 821)**	**(7 168)**	**(262 989)**
Balance at 28 February 2019 (Reviewed)	**2 129 572**	**(230 723)**	**(360 826)**	**1 451 251**	**225 308**	**3 214 582**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 28 February 2019

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

Notes to the statement of cash flows:

The movement in cash utilised in operations can vary significantly as a result of daily fluctuations in cash linked to investment contracts, cash held by the stockbroking business and cash utilised for the loan facility obtained by the group on the loan facilities provided to clients on their share portfolios at PSG Securities Limited. PSG Life Limited, the group's linked insurance company, issues linked policies to policyholders (where the value of policy benefits is directly linked to the fair value of the supporting assets). When these policies mature, the company raises a debtor for the money receivable from the third-party investment provider, and raises a creditor for the amount owing to the client. Timing difference occurs at month-end where the money was received from the third-party investment provider, but only paid out by the company after month-end, resulting in significant fluctuations in the working capital of the company. Similar working capital fluctuations occur at PSG Securities Limited, the group's stockbroking business, mainly due to the timing of the close of the JSE in terms of client settlements. Refer to note 6.7 for the impact of the client-related balances on the cash flows from operating activities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 28 February 2019

1. REPORTING ENTITY

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

2. BASIS OF PREPARATION

The condensed consolidated preliminary financial statements are prepared in accordance with the requirements of the JSE Limited ("JSE") 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 condensed consolidated preliminary financial statements are the responsibility of the board of directors of the company. These condensed consolidated preliminary financial statements were prepared under the supervision of the chief financial officer, Mike Smith, CA(SA). PSG Konsult's external auditor, PricewaterhouseCoopers Inc., reviewed these condensed consolidated preliminary financial statements and their unmodified review conclusion is presented on page 35. Any reference to future financial performance included in these condensed consolidated preliminary financial statements has not been reviewed by or reported on by the company's auditor.

4. ACCOUNTING POLICIES

The accounting policies applied in the preparation of these condensed consolidated financial statements are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements as at and for the year ended 28 February 2018, except for the mandatory adoption of IFRS 9 – Financial instruments and IFRS 15 – Revenue from contracts with customers. The group has applied both standards retrospectively without restating comparative figures. Refer to note 14 for further detail.

5. USE OF ESTIMATES AND JUDGEMENTS

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

6. SEGMENT INFORMATION

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

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

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

6.1 Description of business segments

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

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

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

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

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

6.2 Headline earnings per reportable segment

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

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

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

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

6. SEGMENT INFORMATION (continued)

6.3 Income per reportable segment

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

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

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

6. 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 28 February 2019 (Reviewed)	Wealth R000	Asset Management R000	Insure R000	Total R000
Total income	2 277 655	562 264	1 763 658	4 603 577
Total expenses	(1 742 373)	(338 509)	(1 601 460)	(3 682 342)
	535 282	223 755	162 198	921 235
Total profit from joint ventures	–	–	431	431
Profit before finance costs and taxation	535 282	223 755	162 629	921 666
Finance costs[1]	(22 132)	(300)	(12)	(22 444)
Profit before taxation	513 150	223 455	162 617	899 222
Taxation	(151 651)	(56 197)	(48 830)	(256 678)
Profit for the year	361 499	167 258	113 787	642 544
Attributable to:				
Owners of the parent	355 360	167 258	79 556	602 174
Non-controlling interest	6 139	–	34 231	40 370
	361 499	167 258	113 787	642 544
Headline earnings	355 228	167 279	81 381	603 888
Recurring headline earnings	338 594	167 279	85 226	591 099
For the year ended 28 February 2018 (Audited)				
Total income	2 130 198	527 188	1 542 922	4 200 308
Total expenses	(1 618 621)	(314 333)	(1 391 731)	(3 324 685)
	511 577	212 855	151 191	875 623
Total loss from joint ventures	–	–	(84)	(84)
Profit before finance costs and taxation	511 577	212 855	151 107	875 539
Finance costs[1]	(22 504)	(540)	(61)	(23 105)
Profit before taxation	489 073	212 315	151 046	852 434
Taxation	(142 496)	(56 460)	(40 827)	(239 783)
Profit for the year	346 577	155 855	110 219	612 651
Attributable to:				
Owners of the parent	339 031	155 855	71 590	566 476
Non-controlling interest	7 546	–	38 629	46 175
	346 577	155 855	110 219	612 651
Headline earnings	339 129	155 825	71 442	566 396
Recurring headline earnings	339 129	155 825	71 442	566 396

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

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

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

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

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

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

6. SEGMENT INFORMATION (continued)

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

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

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

6. 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 28 February 2019 (Reviewed)	Total IFRS reported R000	Core business R000	Linked investment business and other R000
Revenue from contracts with customers[3]	3 350 590	3 440 312	(89 722)
Investment income[4]	1 884 470	213 587	1 670 883
Net fair value gains and losses on financial instruments	646 786	2 344	644 442
Fair value adjustment to investment contract liabilities	(1 061 253)	–	(1 061 253)
Fair value adjustment to third-party liabilities	(1 196 594)	–	(1 196 594)
Other[1]	947 334	947 334	–
Total income	4 571 333	4 603 577	(32 244)
Insurance claims and loss adjustment expenses	(803 746)	(803 746)	–
Other[2, 3]	(2 821 998)	(2 878 596)	56 598
Total expenses	(3 625 744)	(3 682 342)	56 598
Total profit from joint ventures	431	431	–
Profit before finance costs and taxation	946 020	921 666	24 354
Finance costs	(34 297)	(22 444)	(11 853)
Profit before taxation	911 723	899 222	12 501
Taxation	(269 179)	(256 678)	(12 501)
Profit for the year	642 544	642 544	–
Attributable to:			
Owners of the parent	602 174	602 174	–
Non-controlling interest	40 370	40 370	–
	642 544	642 544	–

[1] *Other consists of net insurance premium revenue and other operating income.*
[2] *Other consists of insurance claims and loss adjustment expenses recovered from reinsurers, commission paid, depreciation and amortisation, employee benefit expenses, marketing, administration and other expenses.*
[3] *The linked investment business and other income statement includes the impact of the fees eliminated between the collective investment schemes (consolidated under IFRS 10 – Consolidated financial statements) and the collective investment scheme management company, PSG Collective Investments (RF) Limited.*
[4] *Investment income consists of interest income on amortised cost financial instruments, interest income on fair value through profit or loss financial instruments and dividend income.*

6. SEGMENT INFORMATION (continued)

6.6 Income statement (client vs own) (continued)

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

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

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

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

6. SEGMENT INFORMATION (continued)

6.7 Statement of cash flows (client vs own)

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

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

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

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

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

7. INVESTMENT CONTRACTS

Investment contracts are represented by the following financial assets:

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

8. RECEIVABLES INCLUDING INSURANCE RECEIVABLES AND TRADE AND OTHER PAYABLES

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

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

9. NOTES TO THE STATEMENT OF CASH FLOWS

9.1 Acquisition of subsidiaries and businesses

For the year ended 28 February 2019

Collective investment schemes

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

Fund consolidated	**PSG Wealth Global Preserver Feeder Fund**	**PSG Money Market Fund**
% interest in fund on effective date	**31**	**49**
Date of acquisition	**31 August 2018**	**28 February 2019**

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

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

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

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

9.1 Acquisition of subsidiaries and businesses (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 business.

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

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

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

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

9.2 Disposal of subsidiaries and businesses

For the year ended 28 February 2019

Collective investment schemes

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

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

Assets and liabilities held for sale

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

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

9.3 Other acquisitions – standardising of revenue sharing model

For the year ended 28 February 2019

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

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

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

For the year ended 28 February 2018

The group, through its subsidiary PSG Wealth Financial Planning Proprietary Limited, concluded various asset-for-share transactions (utilising section 42 of the Income Tax Act, No. 58 of 1962) as well as further revenue sharing arrangements with a number of its advisers during the financial year. The purpose of these transactions was to standardise the revenue sharing arrangements between the advisers and PSG Konsult.

The consideration was paid with the issue of PSG Konsult shares (0.6 million shares at an average of R8.97 per share) and a cash consideration of R17.3 million on the effective dates. These transactions did not qualify for accounting in terms of IFRS 3 – Business combinations, as the assets acquired (the right to an increased share in the income stream of the adviser) did not constitute a business acquired.

These transactions contributed R1.1 million to our headline earnings during the 2018 financial year, net of amortisation cost of R0.5 million.

10. FINANCIAL RISK MANAGEMENT

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

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

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

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

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

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

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

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

Included in the equity securities of R2 353.4 million (2018: R2 321.5 million) are quoted equity securities of R2 353.1 million (2018: R2 321.2 million), of which R2 176.8 million (2018: R2 192.6 million) relates to investments in linked investment contracts. The price risk of these instruments is carried by the policyholders of the linked investment contracts.

Unit-linked investments of R23 362.7 million (2018: R21 587.0 million) are linked to investment contracts and do not directly expose the group to price or interest rate risk.

Debt securities linked to policyholder investments amounted to R368.5 million (2018: R483.6 million) and do not expose the group to interest rate risk. Cash and cash equivalents linked to policyholder investments amounted to R8.1 million (2018: R1.0 million) and do not expose the group to interest rate risk.

Fair value estimation

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

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

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

10. 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 2018.

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

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

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

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

10. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

As at 28 February 2018 (Audited)	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
Financial assets				
Derivative financial instruments	–	8 854	–	8 854
Equity securities	2 321 235	7	240	2 321 482
Debt securities	922 377	1 500 509	–	2 422 886
Unit-linked investments	–	41 478 953	717 137	42 196 090
Investment in investment contracts	–	14 798	–	14 798
	3 243 612	43 003 121	717 377	46 964 110
Financial liabilities				
Derivative financial instruments	–	16 857	–	16 857
Investment contracts	–	23 420 874	698 146	24 119 020
Trade and other payables	–	–	45 344	45 344
Third-party liabilities arising on consolidation of mutual funds	–	22 585 256	–	22 585 256
	–	46 022 987	743 490	46 766 477

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

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

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

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

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

10. FINANCIAL RISK MANAGEMENT (continued)

Fair value estimation (continued)

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

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

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

11. RELATED-PARTY TRANSACTIONS

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

12. CAPITAL COMMITMENTS AND CONTINGENCIES

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

13. EVENTS AFTER THE REPORTING DATE

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

14. ADOPTION OF NEW ACCOUNTING STANDARDS

The group has adopted the following new accounting standards as issued by the IASB, which were effective for the group from 1 March 2018:

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

The changes in accounting policies were applied retrospectively without restating comparative figures. If any differences were identified they would have been taken to opening retained earnings, however the impact of the adoption of IFRS 9 and IFRS 15 was immaterial and no adjustment is therefore presented.

Adoption of IFRS 15

This new standard provides a single, principles-based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced.

A significant portion of the group's revenue is accounted for in terms of IFRS 4 – Insurance contracts and IFRS 9 – Financial instruments, which are all scoped out of IFRS 15.

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

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

14. ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

Adoption of IFRS 9

This new standard represents a package of reform to financial instrument accounting to replace IAS 39 – Financial instruments: Recognition and measurement.

Financial assets

In assessing how financial assets should be classified and measured, IFRS 9 requires the assessment of:

- the business model applied to manage the financial assets; and
- the nature of contractual cash flows relating to the specific instrument, whether they solely represent payments of principal and interest.

The impact on the classification and measurement of financial assets was as follows for the group:

- Financial instruments and derivative assets, which are held to back client assets or for risk management purposes, previously measured at fair value through profit or loss under IAS 39, are also measured at fair value through profit or loss under IFRS 9.
- Loans and receivables that were classified as loans and receivables and measured at amortised cost under IAS 39 are measured at amortised cost under IFRS 9.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model to calculate impairments of financial assets. The new impairment model did not have a significant impact on the group as:

- The majority of financial assets in the group are measured at fair value through profit or loss.
- All insurance and reinsurance receivables are recognised in terms of IFRS 4 and will be included in the IFRS 17 assessment.

Only debt instruments classified as financial assets at amortised cost or fair value through other comprehensive income are subject to the new ECL model. In assessing the impairment that should be raised under the ECL model on these financial assets, credit enhancements such as security held against loans and receivables are taken into account in the ECL model. It was noted that the impact of the ECL provision was substantially impacted by the credit enhancements, and the increase in the impairment provision from the incurred loss model to the ECL model was found to be immaterial.

Financial liabilities

The requirement for the classification and measurement under IFRS 9 has not changed significantly from IAS 39. The group under IAS 39 classified the majority of the investment contract liabilities and third-party liabilities arising on consolidation of mutual funds at fair value through profit or loss, so as to eliminate an accounting mismatch as the linked policyholder assets and the assets relating to the consolidated mutual funds are carried at fair value through profit or loss. The group has as part of its IFRS 9 implementation process considered the classification of its linked policyholder assets and consolidated mutual fund assets, and the direct impact these financial assets would have on the measurement on the related financial liabilities. It was found that the measurement of financial assets at fair value through profit or loss was appropriate and therefore to avoid an accounting mismatch, the corresponding financial liabilities were retained at fair value through profit or loss. Therefore, no impact upon adoption of IFRS 9 was identified.

Impact on adoption of IFRS 9

The net financial impact of the changes in classification and measurement after tax had a Rnil impact on opening retained earnings on 1 March 2018. Upon adoption of IFRS 9, the group had no financial instruments measured at fair value through other comprehensive income.

IFRS 9 introduced a consequential amendment to IAS 1, requiring interest income calculated using the effective interest rate method to be separately presented on the face of the income statement. Refer to the condensed consolidated income statement where this amendment has been made.

GENERAL INFORMATION

Listings Requirements

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

BOARD OF DIRECTORS OF PSG KONSULT LIMITED

Independent non-executive

Jacob de Vos du Toit (Jaap) (64)
Lead independent non-executive director
BAcc, CA(SA), CTA, CFA
Appointed 17 August 1998

Patrick Ernest Burton (Patrick) (66)
Independent non-executive director
BComm (Hons) Financial Management, PG Dip Tax
Appointed 2 March 2014

Zitulele Luke Combi (KK) (67)
Independent non-executive director
Diploma in Public Relations
Appointed 16 April 2014

Zodwa Reshoketsoe Pearl Matsau (63)
Independent non-executive director
MPhil Economics, BA Economics
Appointed 20 July 2017

Riaan Stassen (65)
Independent non-executive director
BComm (Hons), CA(SA)
Appointed 14 April 2016
Date of retirement: 31 May 2019

Non-executive

Willem Theron (67)
Non-executive director and chairman
BCompt (Hons), CA(SA)
Appointed 1 March 1998

Petrus Johannes Mouton (Piet) (42)
Non-executive director
BComm (Mathematics)
Appointed 6 December 2012

Executive

Francois Johannes Gouws (Francois) (54)
Chief executive officer
BAcc, CA(SA)
Appointed 1 March 2013

Michael Ian Frain Smith (Mike) (51)
Chief financial officer
BComm (Hons), CA(SA), H Dip Tax, H Dip Company Law
Appointed 18 July 2013

The following change to the board of directors took place during the year and up to the date of this report:

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

SHAREHOLDING OF DIRECTORS

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

	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**

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

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

- On 29 April 2019, Mr FJ Gouws disposed of 4 000 000 PSG Konsult Limited ordinary shares.
- On 3 May 2019 and 29 April 2019, Messrs FJ Gouws and MIF Smith acquired 330 290 and 200 000 PSG Konsult Limited ordinary shares respectively, as they elected to exercise their share option awards and invest their deferred bonus awards in shares.

SHARE ANALYSIS

	Shareholders Number	Shareholders %	Shares held Number	Shares held %
Range of shareholding				
1 – 50 000	3 161	84.0	25 082 623	1.9
50 001 – 100 000	200	5.3	13 634 017	1.0
100 001 – 500 000	232	6.2	49 851 508	3.7
500 001 – 1 000 000	64	1.7	44 656 700	3.4
Over 1 000 000	104	2.8	1 203 442 426	90.0
	3 761	100.0	1 336 667 274	100.0
Treasury shares	8		28 217 844	
	3 769		1 364 885 118	
Public and non-public shareholding				
Non-public				
Holding company	1	0.0	810 058 551	60.6
Directors and management	17	0.5	116 406 636	8.7
Public	3 743	99.5	410 202 087	30.7
	3 761	100.0	1 336 667 274	100.0
Individual shareholders holding 5% or more of shares in issue (net of treasury shares) at 28 February 2019				
PSG Financial Services Limited			810 058 551	60.6
Coronation Asset Management			119 205 664	8.9
			929 264 215	69.5

STATED CAPITAL OF THE COMPANY

The Company's authorised and issued share capital at 28 February 2019 was:

Authorised

3 000 000 000 ordinary shares with no par value (2018: 3 000 000 000 ordinary shares with no par value)

Issued

1 364 885 118 ordinary shares with no par value (2018: 1 342 242 208 ordinary shares with no par value)*

* *Gross of 28 217 844 (2018: 24 789 555) treasury shares.*

Total value of stated capital at 28 February 2019 was R2 129 572 498 (2018: R1 908 804 037).

MATERIAL CHANGES

Other than the information disclosed in the condensed consolidated financial statements, no material changes in the financial or trading position of the Company and its subsidiaries have occurred between 28 February 2019 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

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
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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)

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www.psg.co.za

Bankers
Absa Bank Limited
Standard Bank of South Africa Limited
First National Bank Limited
Rand Merchant Bank Limited
BNP Paribas
Investec Bank Limited
Nedbank Limited

Auditor
PricewaterhouseCoopers Inc.
Cape Town

Attorneys
DLA Cliffe Dekker Hofmeyr
Blake Bester
AO Hall (Guernsey)

Transaction adviser and sponsor – JSE
PSG Capital Proprietary Limited

Transaction adviser and sponsor – NSX
PSG Wealth Management (Namibia) Proprietary Limited,
member of the Namibian Stock Exchange

Transaction adviser and sponsor – SEM
Perigeum Capital Ltd

Transfer secretary
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