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PSG Konsult

INTEGRATED REPORT **2023**

PSG Konsult

2023

Integrated Report

PSG Konsult is a leading financial services group

Affiliates of PSG Konsult Limited (PSG Konsult or the group), a licensed controlling company, are authorised financial services providers.

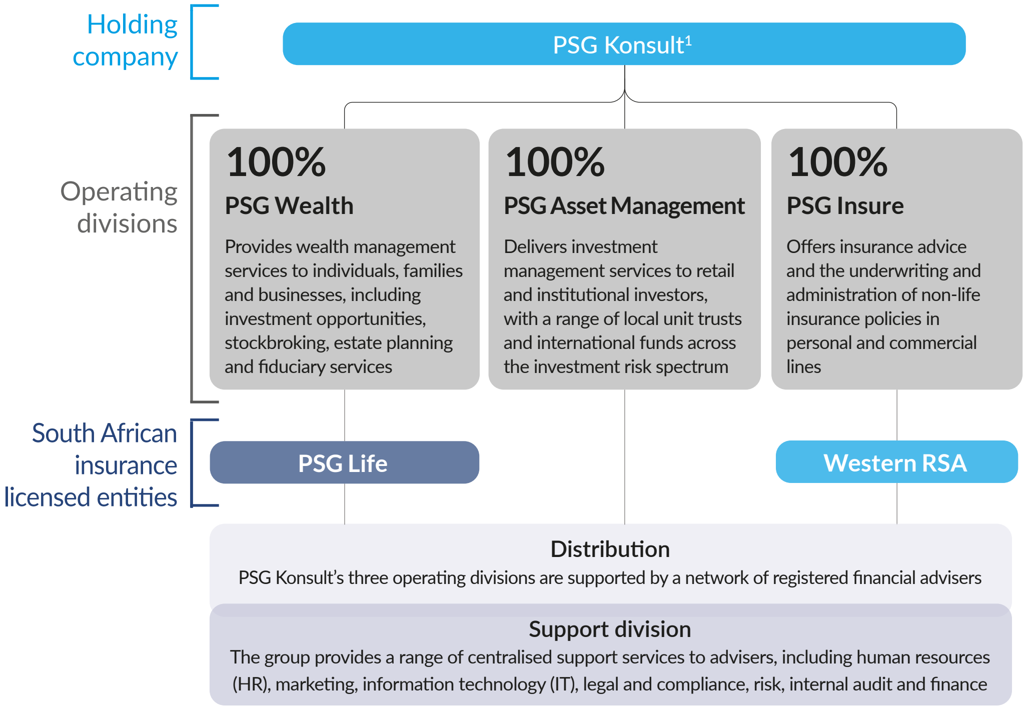
Through three operating divisions, the group offers a wide array of financial services and a suite of financial products. The group predominantly services individuals and enterprises in South Africa and Namibia.

The operating divisions are monitored and assessed through ongoing integrated reporting and internal assurance functions. This promotes operational and financial performance while ensuring risk and regulatory compliance.

Each division has its own board and executive committee (Exco), which are integrated into the group's governance structures. See the corporate governance report from page 65.

PSG Konsult's advice-focused business is founded on personal service, lifelong relationships with clients, integrity, trust and transparency.

These values are encapsulated in the group's core principles (see page 8).



PSG Wealth: Provides wealth management services to individuals, families and businesses, including investment opportunities, stockbroking, estate planning and fiduciary services

PSG Asset Management: Delivers investment management services to retail and institutional investors, with a range of local unit trusts and international funds across the investment risk spectrum

PSG Insure: Offers insurance advice and the underwriting and administration of non-life insurance policies in personal and commercial lines

Distribution

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

Support division

The group provides a range of centralised support services to advisers, including human resources (HR), marketing, information technology (IT), legal and compliance, risk, internal audit and finance

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

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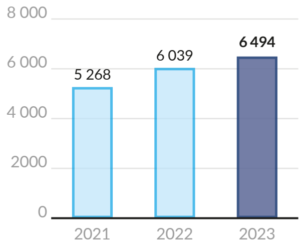
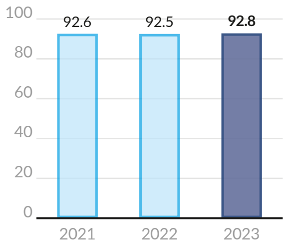
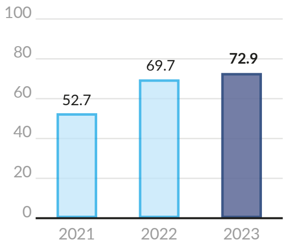
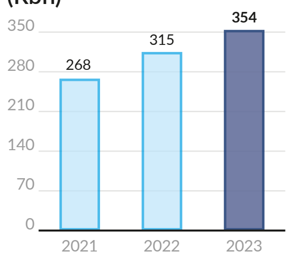
[1] *Includes the PSG Konsult support functions.*

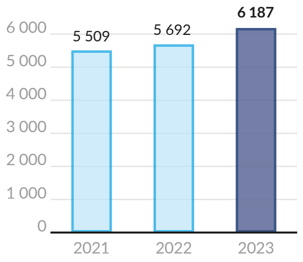
Financial performance snapshot for 2023

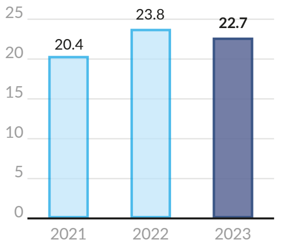

Core income (Rm)

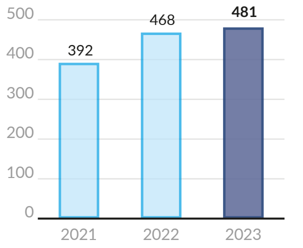

Revenue earned by South Africa-based entities (%)

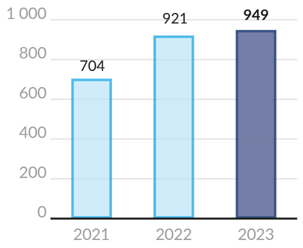

Recurring headline earnings per share (cents)

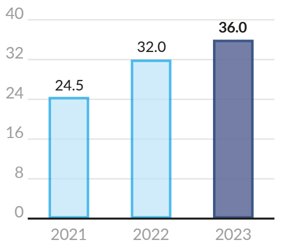

Assets under management (Rbn)


Gross written premium (Rm)


Return on equity (%)


Assets under administration (Rbn)


Recurring headline earnings (Rm)


Dividends per share (cents)

Compound growth rate
18%
in recurring headline earnings since 2013

During July 2022, Global Credit Rating Co. (GCR) affirmed PSG Konsult Limited's national scale long-term and short-term credit ratings at A+(ZA) and A1(ZA) respectively, with a stable outlook.

Advisers
947
situated in 266 adviser offices throughout South Africa and Namibia

Market capitalisation
R16.8 bn
as at 28 February 2023

Shareholders[1]
18 872

Employees
3 074

Client complement
>520 000
across offices

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[1] *Large increase in shareholder numbers during FY2023 due to PSG Group share unbundling.*

The group is proud of our divisions' industry awards

PSG Wealth

Intellidex 2022 Top Private Banks and Wealth Manager of the Year Awards:

- Awarded Wealth Manager of the Year: Large Institutions for the fourth year in a row
- PSG Wealth delivered a strong showing across all categories, including winning the Young Professional, Lump-sum Investor and Retiree archetypes

2022 Raging Bull Awards:

- The PSG Multi Management Cautious Fund of Funds achieved first place as the Best South African Multi-Asset Low Equity Fund for straight performance over three years

PSG Asset Management

2022 Raging Bull Awards:

- Awarded South African Manager of the Year
- The PSG Income Fund won the Best South African Interest-Bearing Short-term Income Fund on a risk-adjusted basis over five years
- The PSG Global Flexible Feeder Fund achieved first place as the Best South African Domiciled Global Multi-Asset Flexible Fund for straight performance over three years
- The PSG Diversified Income Fund received:
  - The Best South African Multi-Asset Income Fund for straight performance over three years
  - The Raging Bull trophy for the Best South African Interest-Bearing Fund
- The PSG Global Equity Feeder Fund was the trophy winner for the Best South African Domiciled Global Equity General Fund

PSG Insure

2022 FIA Intermediary Experience Awards:

- Western received the Product Supplier of the Year: Non-Life Commercial award

Presenting our 2023 integrated report

This integrated report (report) has been developed to assist PSG Konsult stakeholders in making an informed assessment about our ability to create and preserve value over time.

This report reflects the activities and performance of PSG Konsult for the financial year from 1 March 2022 to 28 February 2023. All references to the year mean the financial year, unless otherwise stated.

While this report is principally aimed at the providers of capital, our shareholders, it also considers the information needs of all our stakeholders.

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

The scope of this report is in line with PSG Konsult's operational and governance approach. It includes the integrated financial and non-financial performance of the three operating divisions and the South African insurance licensed entities, subject to group supervision by the Prudential Authority in South Africa. It contains relevant comparisons to previous periods as well as detailed divisional reviews.

PSG Konsult Treasury is a wholly-owned subsidiary in the group and is governed by an approved board charter in line with the principles of the King IV Report on Corporate Governance™ for South Africa, 2016 (King IV)[1] and the JSE Listings Requirements pertaining to debt issuers.

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

PSG Konsult integrated report	The group and company annual financial statements	PSG Konsult Limited notice of annual general meeting (AGM) (to be published in June 2023)	PSG Konsult King IV principles disclosure register	PSG Konsult Treasury annual financial statements and Domestic Medium Term Note (DMTN) programme memorandum

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

Reporting compliance

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

- International Financial Reporting Standards (IFRS) and the International Financial Reporting Interpretations Committee's (IFRIC's) Interpretations
- The South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee
- Financial Pronouncements as issued by the Financial Reporting Standards Council
- The Companies Act, No. 71 of 2008, as amended (Companies Act)
- The JSE Listings Requirements
- The Value Reporting Foundation's Integrated Reporting <IR> Framework, 2021
- King IV
- The Financial Sector Charter
- Governance and Operational Standards for Insurance Groups (GOG) and Governance and Operational Standards for Insurers (GOI) (collectively referred to as the "Prudential Standards")

Report assurance

The group uses a combined assurance model.

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

Read more in the governance report on pages 89 and 90.

Forward-looking statements

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

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

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

Approval by the PSG Konsult board of directors

The board acknowledges its responsibility to ensure the integrity, accuracy and fairness of PSG Konsult's 2023 integrated report.

The board of directors, assisted by the audit committee, is responsible for the content of this report. The directors have collectively applied their minds to the content and evaluated the preparation and presentation while acknowledging that the reporting process continues to evolve. The report was approved on 24 May 2023 and is signed on behalf of the board by:

Willem Theron
Chairman

Francois Gouws
Chief executive officer

Mike Smith
Chief financial officer

Reader's tips and feedback

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

www.facebook.com/PSGKonsult/
www.linkedin.com/company/psg-konsult/
www.twitter.com/PSGKonsult
www.youtube.com/user/PSGKonsultLtd

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

01

A PROFILE OF PSG KONSULT

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Our guiding principles

As a leading financial services firm, we help our clients secure their financial futures by offering sound financial advice and access to quality products.

Our vision

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

Our mission

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

The seven core principles we apply across the group

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

Our investment case

Sound financial position

PSG Konsult has no interest-bearing debt at 28 February 2023.

During July 2022, GCR affirmed PSG Konsult's national scale long-term and short-term credit ratings at A+(ZA) and A1(ZA) respectively, with a stable outlook.

PSG Konsult's capital cover ratio remains strong and increased to 263% (2022: 240%), based on the latest insurance group return, and comfortably exceeds the minimum regulatory requirement of 100%.

The increase in the group's capital cover ratio and the credit rating affirmation is testament to the group's strong financial position and excellent liquidity due to a consistent track record of earnings growth and strong cash flow generation.

Read more in the CEO and CFO report on page 48.

An extensive and growing distribution network

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

Our network of trusted advisers and our successful adviser remuneration model supports client retention and long-term growth. Our advisers' success is intertwined with the group's success, ensuring the alignment of shareholder and adviser interests.

We build our talent pipeline through bursary and learnership programmes to encourage talented, young South Africans to become advisers and add to our pool of quality advisers.

Read more on our advisers from page 25.

A clear and scalable growth path

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

PSG Konsult's sound business foundation enables the growth of our existing adviser network. The group's business model means that we generate higher margins as we scale. We make the most of cross-selling and synergies within the different divisions. Our comprehensive financial services product suite meets the needs of a broad spectrum of client requirements.

We invest in technology to support sustained growth and improve efficiencies without significantly increasing our cost base. We continue to experience the benefits of increased automation and enhanced data analytics.

Read more about our strategy on pages 44 and 45.

A well-known, admired and trusted brand

PSG Konsult continually builds and enhances our brand.

We are recognised as an established financial services brand with a network of leading advisers. Our divisions and advisers benefit from group marketing campaigns and the brand awareness of being part of a broader group.

We attract new clients through targeted advertising and marketing activities. We continue to develop our brand in line with the group's growth. This includes digital initiatives such as the successful Think Big webinar series.

See page 2 for detail on the industry awards won by our operating divisions.

A history of superior investor returns

PSG Konsult's prudent investment approach means the group makes the most of every rand invested with an appropriate level of risk taken.

PSG Konsult's track record of superior shareholder returns can be attributed to the group's 'three layers of defence' risk management methodology. We build shareholder wealth by delivering share price appreciation and consistently paying dividends.

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

Delivering consistent shareholder value since 2005

PSG Konsult has substantially outperformed the Financial Times Stock Exchange (FTSE)/JSE All Share Index (ALSI) TRI over 18 years to 28 February 2023.

If R100 000 had been invested in PSG Konsult shares on the day over-the-counter (OTC) trading commenced in 2005, and if dividends and other distributions received had been reinvested, this amount would be worth R6.6 million on 28 February 2023, at a CAGR of 26.4% (18.8% in US dollar terms).

Date	Number of PSG Konsult shares	PSG Konsult investment R	Annual growth in investment %	JSE ALSI TRI	JSE ALSI investment R	Annual growth in investment %
11/04/2005	250 000	100 000		1 311	100 000	
28/02/2006	260 725	286 797	187	1 926	146 929	47
28/02/2007	297 398	490 706	71	2 670	203 678	39
29/02/2008	309 914	526 854	7	3 255	248 335	22
28/02/2009	327 703	426 014	(19)	2 032	154 988	(38)
28/02/2010	351 652	509 895	20	3 013	229 848	48
28/02/2011	373 653	597 845	17	3 723	284 027	24
29/02/2012	395 168	790 336	32	4 082	311 393	10
28/02/2013	422 411	1 203 871	52	4 870	371 546	19
28/02/2014	435 546	2 177 731	81	5 981	456 251	23
28/02/2015	441 856	3 190 197	46	6 946	529 912	16
29/02/2016	447 709	3 080 237	(3)	6 643	506 779	(4)
28/02/2017	455 295	3 419 266	11	7 061	538 627	6
28/02/2018	462 322	4 022 205	18	8 292	632 573	17
28/02/2019	469 330	5 040 607	25	8 218	626 884	(1)
29/02/2020	477 453	3 771 876	(25)	7 749	591 116	(6)
28/02/2021	489 074	4 396 771	17	10 321	787 380	33
28/02/2022	497 541	6 836 217	55	12 434	948 548	20
28/02/2023	508 236	6 601 990	(3)	13 210	1 007 780	6
CAGR %			26			14

A seven-year financial view

	2023 R000	2022 R000	2021 R000	2020 R000	2019 R000	2018 R000	2017 R000
Income	**6 523 998**	6 032 041	5 250 142	5 057 010	4 571 333	4 203 640	3 843 072
Profit before taxation	**1 436 248**	1 399 612	1 071 427	1 004 614	911 723	868 872	735 286
Taxation	**(408 202)**	(393 085)	(302 122)	(297 053)	(269 179)	(256 221)	(203 416)
Profit for the year	**1 028 046**	1 006 527	769 305	707 561	642 544	612 651	531 870
Headline earnings	**948 785**	920 663	696 635	644 408	603 888	566 396	486 439
Recurring	**948 785**	920 663	703 835	644 408	591 099	566 396	486 439
Non-recurring	**-**	–	(7 200)	–	12 789	–	–
Non-headline earnings	**1 987**	246	1 055	2 549	(1 714)	80	423
Attributable income	**950 772**	920 909	697 690	646 957	602 174	566 476	486 862
Earnings per share (cents)							
Headline	**72.9**	69.7	52.2	48.1	45.6	43.0	37.2
Recurring headline	**72.9**	69.7	52.7	48.1	44.6	43.0	37.2
Recurring headline (excluding intangible asset amortisation cost)	**78.2**	74.8	57.5	52.2	48.4	46.4	40.4
Attributable	**73.1**	69.7	52.3	48.2	45.4	43.0	37.3
Dividend per share (cents)	**36.0**	32.0	24.5	22.5	20.5	18.0	15.3
Interim dividend	**11.0**	10.0	8.0	7.5	7.0	5.7	5.1
Final dividend	**25.0**	22.0	16.5	15.0	13.5	12.3	10.2
Weighted average shares (000)	**1 301 157**	1 320 516	1 334 574	1 340 925	1 325 094	1 317 643	1 307 103
Actual shares in issue (000)	**1 295 689**	1 331 372	1 340 930	1 356 923	1 364 885	1 342 242	1 322 100
Market capitalisation (Rm)	**16 831**	18 293	12 059	10 729	14 659	11 678	9 929
Price (cents per share)							
Last day of trade	**1 299**	1 374	899	790	1 074	870	751
Highest	**1 476**	1 523	999	1 085	1 110	940	850
Lowest	**981**	880	431	701	860	750	640
Trading volume (number of shares) (000)	**367 243**	91 672	127 423	111 952	83 533	91 863	111 726
Trading value (Rm)	**4 208**	1 092	966	1 070	813	767	783
Net asset value per share (cents)	**330.7**	312.7	272.3	247.0	223.6	190.1	164.0
Assets under administration (Rbn)	**481.5**	468.0	392.3	396.9	421.5	402.1	371.1
Assets under management (Rbn)	**354.1**	314.6	267.9	229.8	222.2	205.4	175.3

Our evolution[1]

Our business journey began in 1998 with the vision of creating an advice-led financial services group that would grow and protect our clients' wealth.

We are proud of our multi-generational relationships with clients and their families and our track record of building a business that meets all of our stakeholders' needs.

Development phase

1998

- PSG Group acquired a 50% shareholding in PSG Konsult

2003

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

2005

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

Acquisition phase

2006

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

2008

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

2011

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

2012

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

Growth phase

2013

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

2014

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

2015

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

2016

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

2017

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

Extended growth phase

2018

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

2019

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

2020

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

2021

- Wealth was crowned Wealth Manager of the Year: Large Institutions at the Intellidex Top Private Banks and Wealth Managers Awards for a third consecutive year
- PSG Wealth is named the Top Online Broker at the Intellidex Top Securities Brokers Awards
- PSG Insure was recognised as the National Intermediary of the Year for performance excellence in Personal Lines and Commercial Lines at the Santam Top Broker Awards
- Licensing of PSG Konsult as the controlling company of the PSG Konsult Insurance Group formally approved by the Prudential Authority
- The PSG Wealth Global Flexible Fund of Funds won Best (FSCA-approved) Offshore Global Asset Allocation Fund on a risk-adjusted performance basis (over five years) at the 2020 Raging Bull Awards

2022

- PSG Wealth received the Intellidex 2022 Top Private Banks and Wealth Manager of the Year Awards, as well as the Top Online Broker at the Intellidex Top Securities Brokers Awards
- Western received the Product Supplier of the Year: Non-Life Commercial award at the 2022 FIA Intermediary Experience Awards
- At the 2021 Raging Bull Awards, the PSG Income Fund achieved first place as the Best South African Interest-Bearing Short-term Fund on a risk-adjusted basis over five years

2023

- PSG Konsult achieved several accolades at the 2022 Raging Bull Awards:
  - PSG Asset Management was awarded South African Manager of the Year
  - Best South African Multi-Asset Low Equity Fund for straight performance over three years: PSG Multi Management Cautious Fund of Funds
  - Best South African Interest-Bearing Short-term Income Fund on a risk-adjusted basis over five years: PSG Income Fund
  - Best South African Multi-Asset Income Fund for straight performance over three years: PSG Diversified Income Fund
  - Raging Bull trophy for the Best South African Interest-Bearing Fund: PSG Diversified Income Fund
  - Best South African Domiciled Global Multi-Asset Flexible Fund for straight performance over three years: PSG Global Flexible Feeder Fund
  - Raging Bull trophy winner for the Best South African Domiciled Global Equity General Fund: PSG Global Equity Feeder Fund

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[1] *Dates provided refer to calendar years.*

Business model and capitals

PSG Konsult's business model is proven to generate sustainable, consistent and inflation-beating returns.

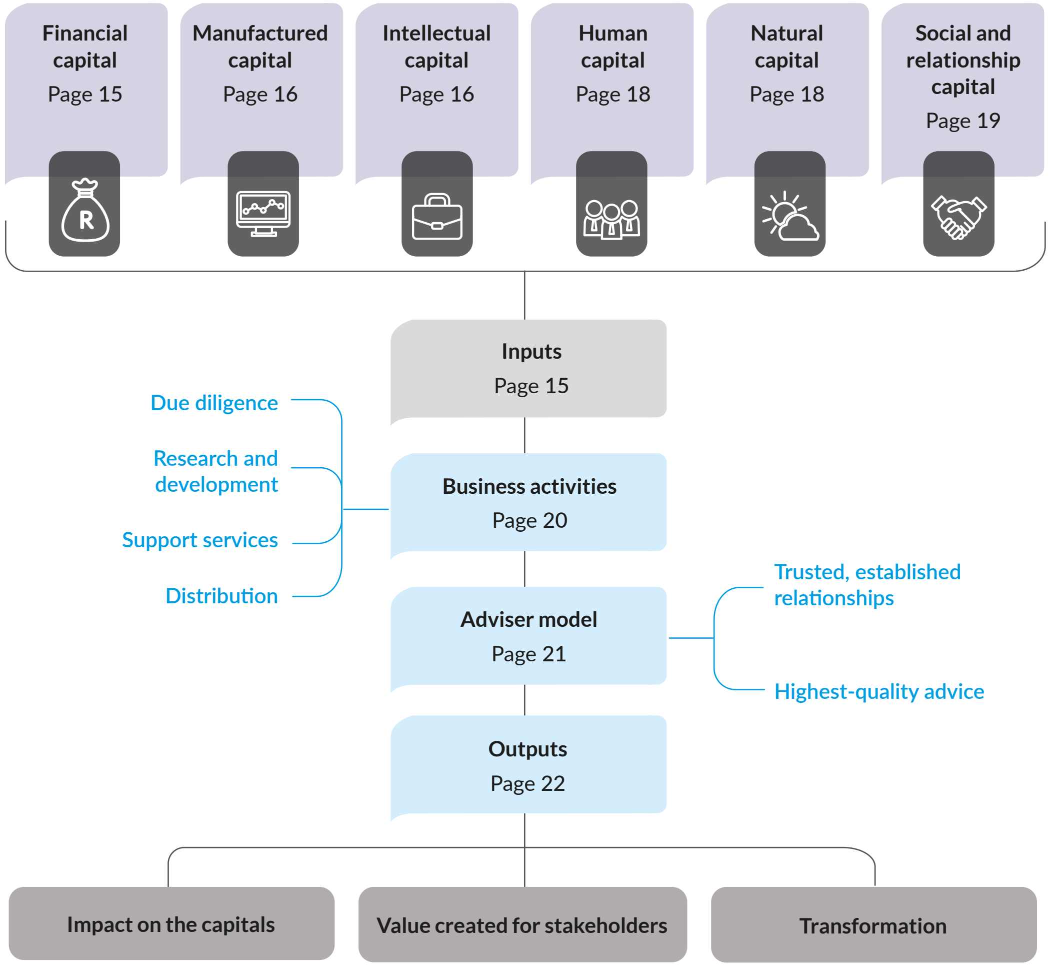
The group's business model is premised on a conservative, long-term investment approach. This approach and steady execution against strategy ensure that a broad range of stakeholders improve their livelihoods.

We deliver a broad range of financial services and products to individuals and enterprises. We focus on wealth creation, wealth preservation, asset management and insurance.

The group's core strength is its network of highly trained, registered advisers, who are incentivised to grow their businesses by attracting and retaining clients. Our advisers are known for their advisory capability and trusted relationships with clients.

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

PSG Konsult's business model relies on the six capital inputs of value creation, which are increased, decreased or transformed through the group's business activities.



Value creation capital inputs

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

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

Financial capital

Constitutes available shareholder equity and debt funding *Read more in the CEO and CFO report from page 46 and the annual financial statements from page 115.*	PSG Konsult's central treasury function oversees and manages the group's financial capital. The group's investment committee sets the group's investment strategies and monitors the performance of investments, while the credit committee regularly tracks the credit quality of underlying assets. A centralised monitoring process allows the group to allocate capital effectively while meeting the regulatory capital and growth initiative requirements. Shareholder funds are predominantly invested in instruments regulated by the Reserve Bank or the Collective Investment Schemes Control Act, No. 45 of 2002. The group's investments in cash, money market or related instruments (on a see-through basis) exceeded 90% of investable shareholder assets at 28 February 2023. PSG Konsult continues to generate strong cash flows which gives us various options to optimise our capital structure and risk-adjusted returns to shareholders. The value at risk of our shareholder investable assets is currently at the lower end of our risk tolerance range, with 6% equity exposure. We continue to monitor investment markets and aim to gradually increase our value at risk exposure to align with our long-term targets. In 2023, PSG Konsult applied financial capital to, among other things: • IT infrastructure and digital platforms to improve efficiencies and enhance the adviser and client experience • Marketing initiatives, including hosting the successful *Think Big* webinar series, more than 170 in-person events and integrated product campaigns • Key new appointments • Funding of bursaries and learnerships Allocation of financial capital into these initiatives increased manufactured, human, intellectual and social and relationship capital, replenishing financial capital over the long term.
Future availability of financial capital	South Africa's current economic conditions put pressure on financial capital. The group's sound financial position provides stability in challenging market conditions while providing the agility to respond rapidly to investment opportunities. Our focus remains on organic growth, although we will consider acquisitions that align with our investment criteria, including acceptable pricing, a compelling strategic rationale, synergies and ease of integration.

Manufactured capital

Includes the group's physical footprint and the IT systems that support business activities *Read more in the CEO and CFO report from page 46 and the IT governance section on pages 91 and 92.*	Financial services groups have increasingly defined and differentiated themselves, not just by the products and services they provide to clients, but also by the technology that underpins their establishments. Our use of manufactured capital ensures efficiency and improved service levels of advisers and clients. While investing in manufactured capital increases expenditure in the short term, it delivers sustainable returns over the long term. We consider this to be a worthwhile trade-off. Over many years, the group has invested (fully expensed) in systems and processes. The group subscribes to open architecture (proprietary and third-party products) and stable systems. These are enablers for support function capability and adviser and client reach and convenience. The myPSG online platform and mobile application offer clients and advisers a secure, consolidated view of their investments over various digital platforms. These platforms give us a meaningful competitive advantage. PSG Konsult's extensive adviser network is a competitive advantage. We believe in servicing clients within reach of their homes. This requires offices and infrastructure in our territories, mainly South Africa and Namibia.
Future availability of manufactured capital	Our investments in manufactured capital are critical to maintaining our competitive advantage and meeting shifting client expectations. We will continue to invest our financial capital in manufactured capital projects, including platform enhancements, data analytics, cyber security and data protection. Our investments are for the long term, and we expect the cost of future technology projects to be at a lower rate.

Intellectual capital

Consists of intangible assets that give PSG Konsult a competitive edge and support its brand and reputation *The group's product offering is listed on pages 22 and 23 and regulatory operating licences on page 39.*	Intellectual capital refers to the research and analysis behind PSG Konsult's investment approach and its ability to manage risk, comply with legislation and respond to market opportunities. It also refers to its due diligence process to approve new products, services and acquisitions. PSG Konsult holds several regulatory licences, which allow the group to sell products and services across multiple jurisdictions. The regulatory licences in Malta enable the group to market offshore funds compliant with the Undertakings for Collective Investment in Transferable Securities regulations to potential investors. By applying this intellectual capital, PSG Konsult offers investors access to the group's products and selected third-party products and services.
A well-respected brand	The PSG Konsult brand and reputation support advisers in growing their client base and the group's direct business. We govern and monitor our brand to protect our reputation. This includes monitoring positive and negative media coverage and ensuring consistency and quality across client communications, including print publications, email and social media, and at adviser-hosted client events. The group was awarded three trophies and four certificates at the annual Raging Bull Awards, seeing the industry recognising investment excellence across the Wealth and Asset management divisions.

Intellectual capital (continued)

Print and electronic media	PSG Konsult's thought leadership includes quarterly publications by PSG Asset Management (*Angles and Perspectives*) and PSG Wealth (*Wealth Perspectives*). The group regularly reviews publications to ensure their value to advisers and clients. Additional publications address topical issues. The past year, these included: • *Advice for Advisers*: Documents to guide PSG Konsult advisers on some of the key questions clients have, including the potential impact of key developments shaping the investment landscape • PSG Wealth's quarterly *Investment Research and Strategy Report*, which focused on investor uncertainty and the opportunities that can be found • PSG Insure's *Insights from Insure* adviser newsletters
Digital and social media	The group successfully interacted with clients and prospects throughout the year, hosting more than 170 in-person events and in excess of 60 webinars allowing advisers, employees and industry representatives to gain political, economic and practical insights from recognised experts as well as the leadership team. Our successful *Think Big* webinar series, now in its third year, continues to attract viewers and subscribers to our YouTube and Spotify channels. The series has proven popular over time with prospects, with a >60% non-client split, thereby making it a strategic brand awareness and lead-generation tool for the group. In the past fiscal alone, the series received almost 30 000 unique registrations. The public relations coverage adds to the success of the series as the media recognises it as a credible content source for thought leadership. The team continues to run integrated product campaigns that help to generate flows and new client leads into the business. An example of this is the retirement annuity/tax-free investment product campaign at tax year-end which saw a record high 2.2 million website events. In the digital environment, both paid and organic search campaigns see an average of more than 800 000 website visits per month. Social media accounts continue to attract new followers and we are seeing increased engagement levels. The team also remains focused on producing tailored marketing plans per adviser office along with support on the execution.
Future availability of intellectual capital	Knowledge has become one of the most imperative intangible assets of financial institutions in recent years. We will continue to invest in intellectual capital to manage risks and make the most of opportunities. This investment secures our sustainability, ensures future returns and builds our strong reputation. This strong brand and reputation attract clients and employees.

Human capital

The group's complement of employees and professional associates and the network of advisers distributing the group's products and services *Read more about our transformation plan and value created for PSG Konsult's employees and advisers in the stakeholder section on pages 25 to 28 and 30 to 31.*	PSG Konsult is a complex financial services group and relies on the skills of its employees. The group's performance management and development frameworks encourage long-term retention and loyalty. We strive to create a diverse entrepreneurial environment where talented professionals are empowered to take ownership of decisions and realise their future potential. We foster a culture of performance, where promotion and progression are based on excellence and the overall betterment of our team. The social and ethics committee monitors group activities relating to sustainability and transformation. We are making good progress against our transformation plan. Employees receive equal advancement opportunities and work in a safe environment to fulfil their potential.
Future availability of human capital	A talent pipeline is essential, as our employees are highly sought after for local and international roles. We continually enhance our employer brand to retain scarce skills and attract top talent. Due to South Africa's poor educational outcomes, the rising cost of talent and skills scarcity is a key risk. The group continued to invest in people, with our fixed remuneration cost increasing by 10% compared to the prior year. We are proud of the progress made in growing our own talent, with 141 newly qualified graduates (96% of whom are ACI candidates) having joined during the financial year. Our graduate programme includes the adviser development programme (ADP), which develops our future adviser talent pipeline. The group also invests in training programmes that cover technical subjects, systems, leadership and managerial skills. Investment in competitive remuneration decreases financial capital over the short term but secures the availability of skills and service capacity for the group and the industry over the long term.

Natural capital

The natural resources that we rely on	PSG Konsult has a small environmental footprint and is conscious of not wasting natural resources. We do not formally measure our water, electricity and fuel usage. PSG Konsult limits the use of electricity, paper and water in the office environment, and its head office in Cape Town is rated a five-star green building. The use of video conferencing facilities at offices across the country reduces travel. We have become more environmentally conscious with less travel, more virtual events, and electronic processes to reduce paper wastage. PSG Asset Management has a published environmental, social and governance (ESG) policy that guides investment managers when assessing investee companies.
Future availability of natural capital	Natural capital supports all the other capitals. We will continue to improve our environmental footprint while raising ESG issues with investee companies. Read more from page 50.

Social and relationship capital

The network of internal and external relationships that constitute PSG Konsult's stakeholder universe *Read more about PSG Konsult's stakeholders from page 24.*	The group values and invests in developing and maintaining healthy stakeholder relationships: • PSG Konsult's advisers have solid and long-term relationships with clients • PSG Konsult provides administrative and compliance support to advisers that allows them more time to build sound client relationships • The group participates in industry forums and has engagements with regulators • The group engages with shareholders and potential investors through presentations, the AGM, reports and other market updates • PSG Konsult supports African, Coloured and Indian (ACI) owned businesses through supplier and enterprise development initiatives • Internship and learnership opportunities train the next generation of employees • Corporate social investment (CSI) initiatives support social development and transformation
Future availability of social and relationship capital	The group's proactive engagement with regulators helps maintain its 21 regulatory licences. We stay abreast of regulatory requirements and enforce these among our network of advisers. We are mindful of investor expectations on ESG disclosures. This includes an increasing interest in climate change and reliance on the TCFD. Read more about our TCFD commitments on page 50. By transferring knowledge and enhancing employability, CSI educational initiatives develop the available pool of future employees and clients for PSG Konsult.

PSG Konsult's business activities

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

PSG Konsult

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

Products and services

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

Detail follows on pages 22 and 23.

Countries

- South Africa
- Namibia
- Malta

Client types

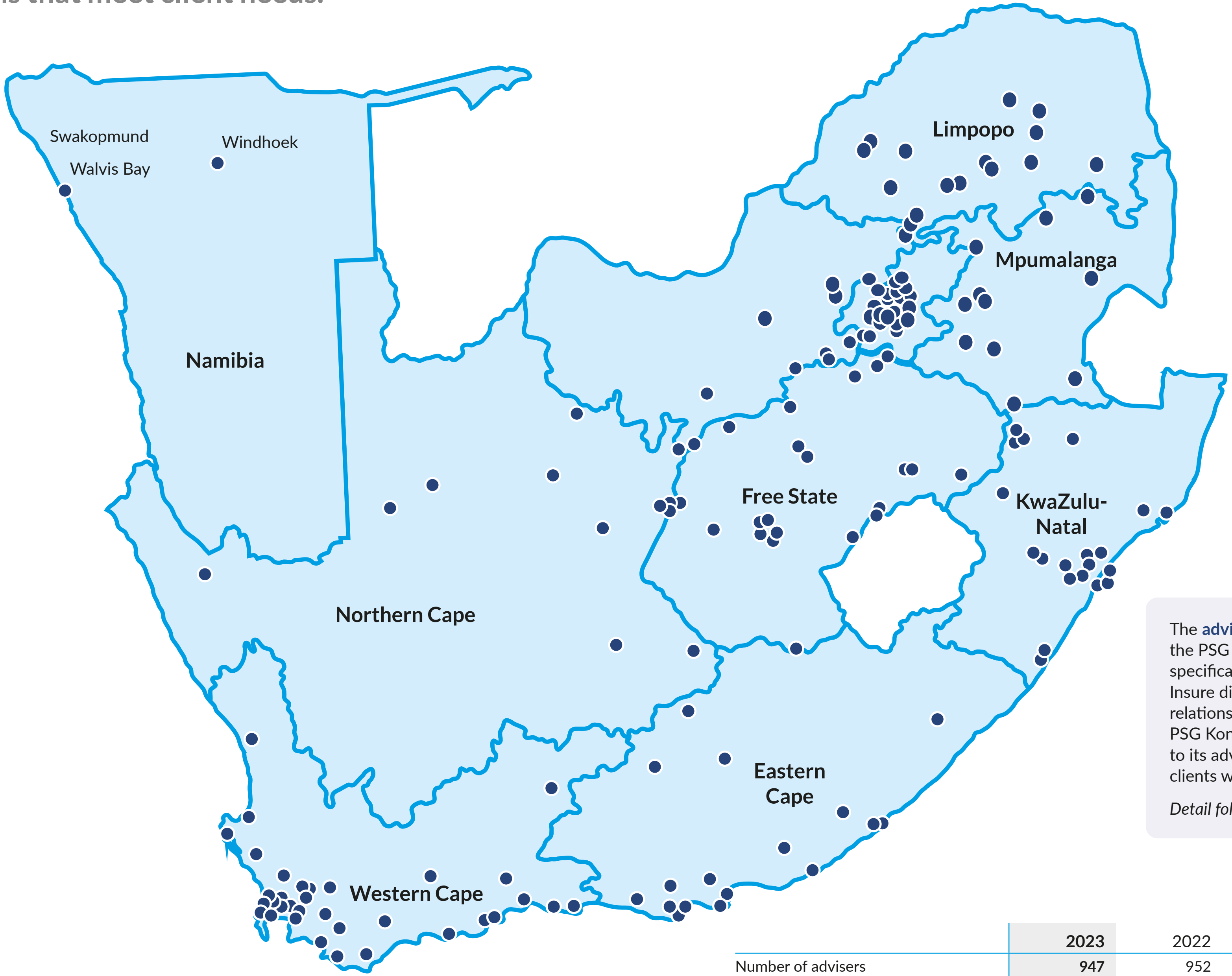
- Retail
- Institutional

Channels to market

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

Source of product types

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



Clients rely on PSG Konsult to protect their financial futures in challenging and uncertain times.

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

Detail follows from page 25

	2023	2022	2021	2020	2019
Number of advisers	**947**	952	932	935	932
PSG Wealth	**590**	584	563	559	546
PSG Insure	**357**	368	369	376	386
Number of offices	**266**	263	263	257[1]	254

Source: PSG Distribution

[1] *Number revised from 260 to 257.*

The outputs of our business activities

PSG Konsult's product and service offering

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

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

Stakeholders

Our robust stakeholder engagement model allows us to better understand and respond to stakeholder concerns.

Effective stakeholder engagement is critical to the success of our group. We recognise the need to deliver value for our stakeholders consistently. Divisional management teams are responsible for executing and monitoring stakeholder engagement in their respective business areas. The board oversees stakeholder engagement across the group.

The following principles guide our approach to stakeholder engagement approach:

- Mutual respect
- Openness and transparency
- Supportive and responsive interaction
- Regular and structured engagement
- Treating stakeholders as existing or potential clients

Stakeholder interests and levels of influence on our operations vary according to geographic location, business area and the nature of their interest.

Stakeholder engagement activities

Advisers

We provide administrative and compliance support, access to products and infrastructure, ongoing learning opportunities, the benefit of a strong brand together with a competitive earnings model.

Clients

We provide sound advice and leading products to help clients achieve their financial goals.

Employees

We offer a secure environment, learning and career development opportunities and an attractive employee brand experience.

Shareholders and analysts

We keep analysts and investors updated with timely, credible and transparent information. We have a calendar of engagements with analysts and investors.

Suppliers, service providers and communities

We support various educational initiatives. Through our enterprise and supplier development initiatives, we provide business opportunities to suppliers and service providers, including ACI-owned suppliers. We offer employment opportunities to communities and are a leading employer of new graduates.

Government, regulatory bodies, and industry associates

We collaborate with government and industry associations to improve the financial services industry's stability, functioning, and prospects.

Advisers

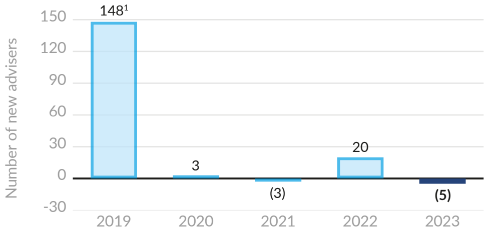
The success and sustainability of our advisers are critical to our overall success.

With more than 260 offices throughout the country and a client base of more than 520 000, PSG Konsult is one of the largest financial service providers in South Africa. This allows us to provide quality, personal service to clients in the cities and towns where they live. Our advisers' capabilities in winning over and keeping clients are critical to our success.

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

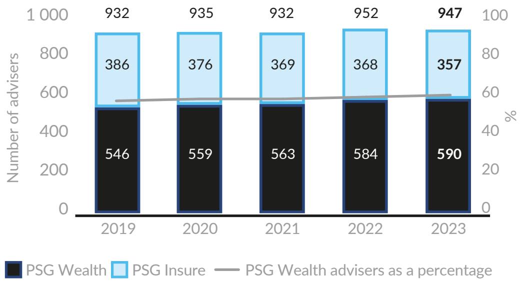
While growth is our strategic focus, any expansion that takes place emphasises quality over quantity. We grow our adviser footprint through organic growth and selected adviser acquisitions.

Net new joiners



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

Advisers per division

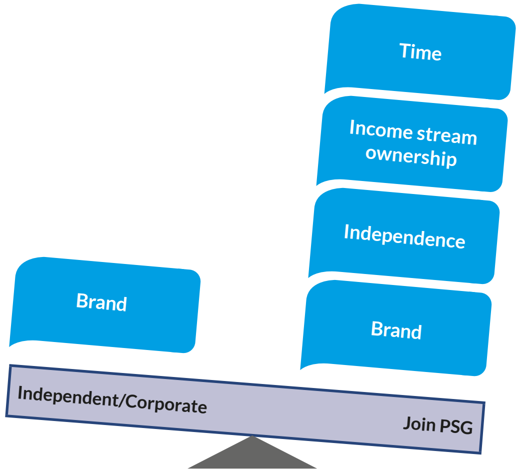


How PSG Konsult creates value for advisers

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

Advisers rely on PSG Konsult's business support, infrastructure and systems. They also benefit from ongoing learning and development opportunities for themselves and their staff. Lifting the administrative and regulatory burden creates an environment where advisers can quickly scale their business while building strong relationships with clients.

Why advisers join PSG Konsult



Our adviser value proposition

Through this adviser model, the group aims to:

- Stimulate growth
- Maximise time with clients
- Save money
- Provide peace of mind
- Increase professionalism

Fully fledged financial services business

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

PSG Konsult best-of-breed products and services and selected third-party products and services

Wealth management
- Financial planning
- Stockbroking
- Estate and trust planning
- Employee benefits
- Investing

Asset management
- Local asset management
- Offshore asset management

Insurance
- Personal non-life insurance
- Commercial non-life insurance

Entrepreneurial model

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

- Training and development: induction and ongoing development initiatives
- Administrative support: HR, financial and operational
- Due diligence: robust processes when selecting new products and services, including the respective product providers
- Technical advisory services: specialist in-house advice on investment planning, tax, legal and more
- Compliance and risk management: PSG Konsult acts as a key individual, provides a wide range of in-house compliance and risk management services, and has professional indemnity cover on behalf of advisers
- Marketing support: branding, design and client communication
- Succession planning: contingency planning
- Recurring returns over the long term
- IT and customer relationship management: a comprehensive practice management tool, online planning aids and disaster recovery sites

Income streams

- Management fees, commission and brokerage
- Administration fees
- Insurance premiums and underwriting results
- Recurring returns over the long term

Adviser network

Clients

PSG Konsult advisers are objective

PSG Konsult advisers benefit from an entrepreneurial remuneration model. This model allows them to share in the ownership of their income stream while having full discretion over where clients' business is placed.

Advisers sell PSG Konsult products and a range of other local and offshore products. The diverse range of available products allows advisers to remain objective and choose products best suited to their clients' needs. This also protects advisers and clients from contagion risk.[1]

New advisers have the opportunity to create partnerships with other PSG advisers, to leverage off and benefit from each other, allowing for specialisation. Referral agreements may be drawn up between advisers within PSG Konsult, who provide services within a different scope of business.

PSG Konsult continually improves its products and technological capabilities

PSG Konsult offers its advisers access to a spectrum of best-of-breed providers. The group has agreements with many service and product providers, affording advisers direct access to and visibility of their funds and products. These providers grow and refresh their product ranges.

PSG Konsult is constantly improving the adviser experience through platform enhancements. These enhancements include automation to reduce manual processes, data analytics to provide client insights and data security upgrades.

PSG Konsult prepares advisers for changing market sentiment

Markets are by nature turbulent and driven by socioeconomic events. The group supports advisers to weather volatility and changes in investor confidence. Advisers can better advise clients through proactive communications, including scenario descriptors and responses. Time in the market and a long-term approach to financial planning while keeping individual client circumstances in mind is critical.

The adviser model provides consistency and continuity for clients

PSG Konsult's adviser onboarding process is seamless, and clients are not affected by the changeover. PSG Konsult works with advisers to develop succession options for advisers who want to sell their businesses or retire. This provides continuity for clients who benefit from PSG Konsult's cradle-to-grave approach. Clients receive consistent service while their historical records are maintained throughout their financial life cycles.

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

How we engage with advisers

We share our strategy and growth targets with advisers and offer them products and services with a solid track record. Senior management promotes open, frequent and effective communication with advisers. Meetings take place face-to-face or online.

In May 2022, advisers and their support staff were invited to attend PSG Konsult's first hybrid annual adviser conference, which hosted in person and digital attendees. The conference brought together unique content that is beneficial to our adviser offices. This included a range of local and international speakers.

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

Adviser strategy sessions

Selected advisers and management participate in focused strategic discussions on industry affairs and share adviser success stories.

Adviser work sessions

Bi-annual work sessions keep advisers and their employees abreast of changing legislative requirements and internal enhancements.

Regular communication

PSG Konsult distributes a range of communications via an internally developed customer relationship management platform (*myPractice*).

Regional managers interact with advisers to ensure practices adhere to financial and corporate governance requirements and drive growth to support strategic objectives.

myPSG platform

Advisers can access information by using a single login for share and fund portfolio information, statements and transactional level information.

Developing an adviser talent pipeline

The PSG Konsult adviser development programme

The ADP forms part of PSG Konsult's transformation strategy. The ADP develops and employs historically disadvantaged graduates, allowing them the opportunity to build a career in the financial services industry. Graduates are appointed as trainee planners or adviser assistants for a two-year programme. They learn about *myPractice* coordination, claims, underwriting, soft skills, products and technical aspects.

Their short-term learnership and internship programme is work-based, creating a talent pipeline of young ACI learners. Its focus is to help unemployed learners gain employment by providing them with the opportunity to study further and gain meaningful work experience. It equips them with a solid foundation of knowledge, qualifications and experience.

The ADP has expanded over the year and has added quality advisers to the network. Since the programme's inception in 2017, PSG Konsult has maintained a 51% retention rate for all graduates who have completed the programme.

43
(154 since inception)
newly qualified ADP graduates employed

100%
of ADP graduates employed were ACI candidates

39
ADP graduates employed at adviser offices

26
ADP graduates employed at PSG Wealth adviser offices

13
ADP graduates employed at PSG Insure adviser offices

Employees

As part of their long-term well-being and job security, developing employees is a priority for the group.

PSG Konsult employs 3 074[1] people across South Africa, Namibia and Malta. These include bursary and internship applicants, graduates and middle and senior career professionals. The group rewards performance – income growth, promotion and progression acknowledge individual excellence and contribution to the group.

We provide an attractive working environment where employees can develop their skills and build careers. Career development opportunities include bursaries and study loans for part-time and full-time studies, training in work-related disciplines and specialist fields to meet our future business requirements.

All employees were invited to PSG Konsult's first annual hybrid conference in May 2022. With the theme "Step up and Stand out", the conference allowed employees to hear about the group's business and strategic objectives directly from the leadership team. The conference featured international speakers and culminated in an awards session where top performers were acknowledged.

PSG Konsult, as a financial service company, requires a range of specialist skills in the following:

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

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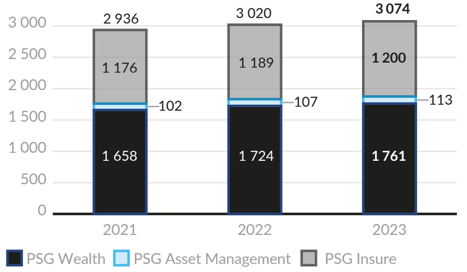
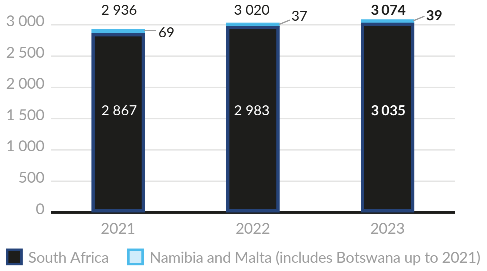
[1] *Excludes 347 employees on learnership programmes.*

Our employee profile

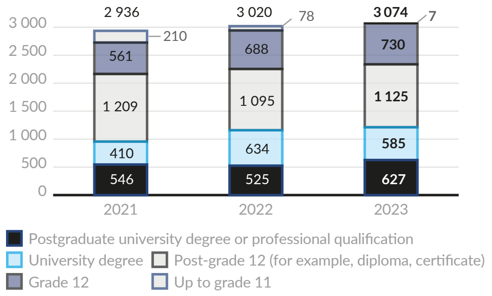
Per division (number of employees)



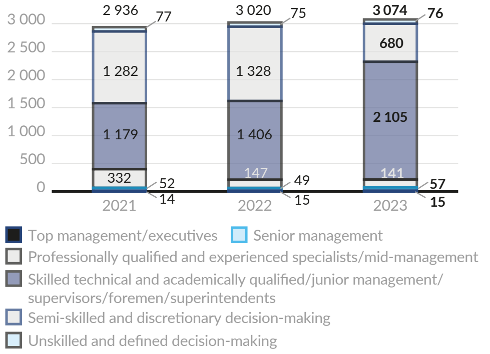
Per geography (number of employees)



Education (number of employees)



Hierarchy (number of employees)



Continuing our transformation journey

We are committed to transforming the group according to the requirements stipulated by the Financial Sector Transformation Council. We believe that transformation is a business imperative and essential to our business's future.

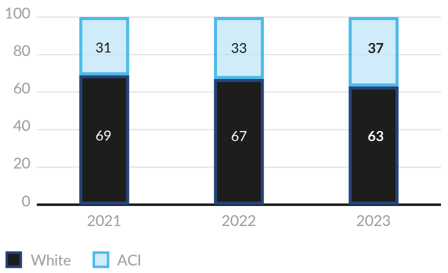
The group has a transformation forum consisting of employees and management. Its role is to devise and implement transformative strategies appropriately. The forum reports directly to the social and ethics committee, a board sub-committee. These reporting lines ensure that transformation matters are dealt with at the highest level while taking the grassroots approach of inclusive feedback and providing a channel for all employees to be heard and considered.

The social and ethics committee was established in 2014 to monitor group activities related to sustainability and transformation. The committee oversees that employees receive equal advancement opportunities and work in a safe environment where their full potential is utilised.

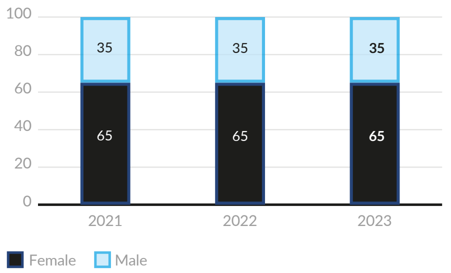
ACI core employee demographics have increased significantly from 36% to 66% in the last nine years. We continue to monitor and improve the recruitment and retention of ACI employees.

Management control refers to ACI participation at board, executive management, senior management, middle management and junior management levels. Emphasis is placed on the participation of African employees across these management levels. Significant progress has been made in the past few years. Effective 1 March 2023, we appointed two new ACI independent directors to our board (African females).

Diversity (% of all employees)[1]



Gender diversity (% of all employees)[1]



[1] Excludes 347 employees on learnership programmes.

Deepening the pool of financial services talent

Transformation within PSG Konsult is built on three pillars: employment equity, talent development and empowerment. The golden thread is our approach to education.

The financial services industry requires specialised and scarce skills. We actively promote careers in our industry to graduates. Since 2008, we have developed young talent through employee and adviser graduate and bursary programmes. We collaborate with the Association for Savings and Investment South Africa (ASISA) and other industry players to address transformation in financial services.

In addition to our bursary, graduate and adviser development programmes, PSG Konsult has several initiatives to drive skills development. We provide financial assistance to employees to qualify themselves as designated industry professionals such as Certified Financial Planners, Chartered Financial Analysts, actuarial, accounting and tax professionals.

PSG Konsult partners with the Skills Development Corporation to fund learnerships for 347 ACI candidates as at 28 February 2023, most of whom are disabled.

Our core graduate programme

The PSG Konsult core graduate programme is open to university honours students.

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

The programme achieves business objectives such as transformation, building a talent pipeline and developing future business leaders. Many graduates gain permanent positions within the group after completing their internships. Graduates are mentored to create a talent pool for future management positions. We maintain a high retention rate of graduates who have completed the programme.

Our core graduate programme is in its eighth year, and the ADP is in its seventh year. Our progress over the years is illustrated in the table below.

Description	2023	% change	2022	2021	2020	2019
Graduates (ACI)	135	7	126	60	55	50
Core	92	(9)	101	39	32	32
ADP	43	72	25	21	23	18
Graduates (white)	6	(40)	10	5	6	10
ACI % of total graduates	96%		93%	92%	90%	83%

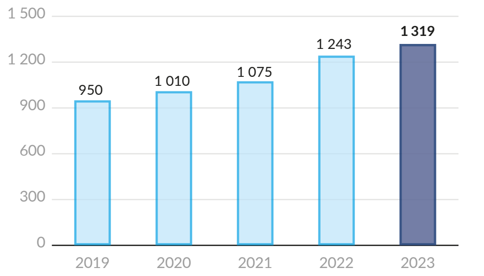
How PSG Konsult creates value for employees

We appreciate that our high calibre teams are critical to our success.

The group has governance and management structures to create value for employees. The social and ethics committee oversees sustainability and transformation, ensuring that employees have equal advancement opportunities. The committee monitors employee conditions, including overseeing that they work in a safe environment that encourages employee development and achievement.

The remuneration committee (Remco) oversees that fair remuneration practices are consistently applied throughout the group. The Remco also ensures remuneration is competitive to attract and retain employees.

Employee remuneration (Rm)



Read more about employee remuneration in the remuneration report from page 99.

Employee wellness

PSG Konsult hosts an annual wellness day with preventative screenings, including glucose, cholesterol, blood pressure, body mass index and HIV tests. The screenings alert employees to their current health and lifestyle risks and offers them advice on how to manage those risks. Professional wellness specialists are available to provide counselling to employees throughout the day. PSG Konsult employees also have access to health and safety representatives in the workplace.

How we engage with employees

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

Recruitment and induction

We begin employee engagement through a recruitment and induction programme, which educates employees about the group's core business principles, defining values and behaviours. The programme promotes maximum productivity and integration in the shortest possible time.

Bi-annual performance management process

This bi-annual formal assessment is conducted according to a list of key performance indicators (KPIs) and employee responsibilities.

Variable compensation and salary increases are linked to these meetings along with divisional and group performance.

Continuous professional development

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

Regular newsletters

Employees receive regular email newsletters from PSG Konsult's leadership. These share company news, new developments, opportunities to participate in events and social activities and introductions to new employees.

Clients

PSG Konsult offers clients considered advice, intuitive digital platforms and a customer experience that exceeds expectations.

Clients rely on PSG Konsult to safeguard their financial futures through sound advice and relevant products and services. Our client base is predominately South African selected institutional clients and retail clients in higher income brackets. With an extensive geographic footprint, PSG Konsult's advisers work with clients where they live.

PSG Konsult continually improves our client experiences by enhancing platforms and providing ongoing training to employees and advisers. This improves client retention, prompts referral business and creates upselling opportunities. Client retention initiatives include after-sale services and claims management.

Due to leading international platforms available on smartphones, clients are increasingly demanding quick, personalised and intuitive service. This means we need to continually improve our digital platforms to provide a seamless customer experience.
We also cater for clients who prefer a more in-person customer relationship. Our multi-channel distribution model means that clients are reached and serviced using their preferred channels.

We take our fiduciary duty seriously

It is PSG Konsult's fiduciary duty to protect clients' assets. The group has several processes and controls to ensure we live up to our promise of trustworthiness and quality.

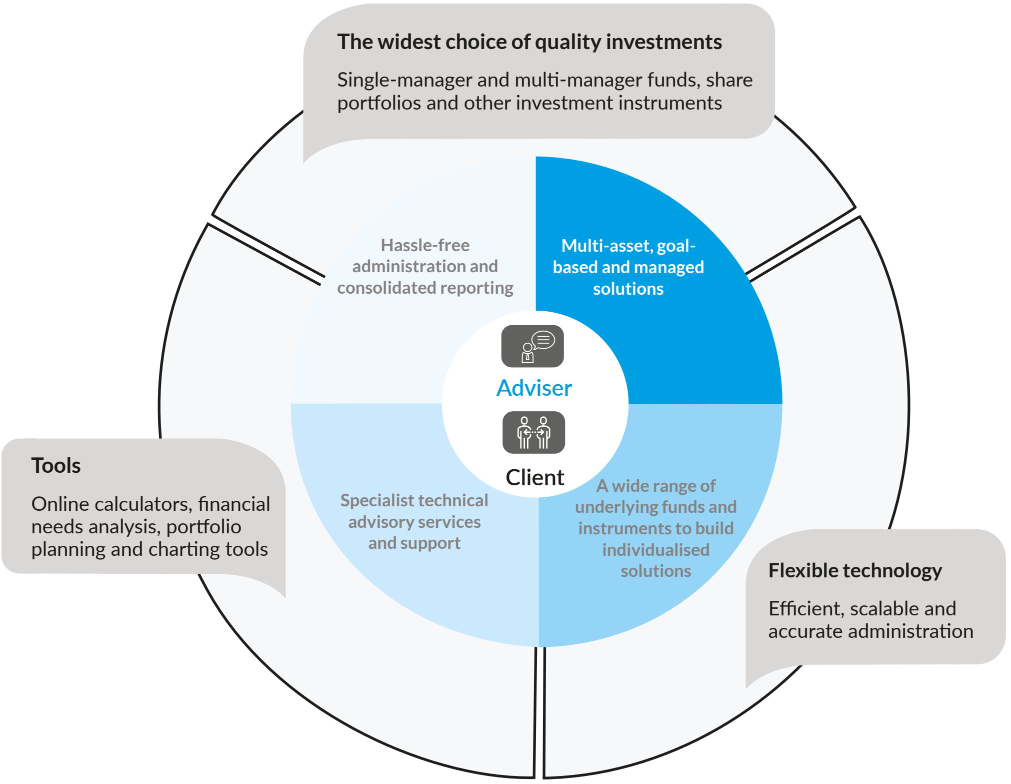
PSG Konsult:

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

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

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

How PSG Konsult creates value for clients



Client value proposition: PSG Wealth

PSG Wealth advisers maintain strong relationships with clients and offer an end-to-end client proposition. Due to its extensive distribution network, the division makes a range of local and offshore investment products and instruments available to investors. Its online trading and investment platform offers several unit trusts, including PSG Konsult funds and other investment management companies. The platform has various tools and seamless navigation.

The division prioritises the following core capabilities:

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

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

Client value proposition: PSG Asset Management

PSG Asset Management offers long-term retail and institutional investment management. The division emphasises capital preservation and risk management. Its funds are available on several platforms to enhance accessibility for clients and advisers.

PSG Asset Management prioritises the following core capabilities:

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

Client value proposition: PSG Insure

PSG Insure protects clients from unpredictable events with a suite of customised non-life insurance products, including:

Personal insurance
- Car and home insurance
- Liability and accident cover
- Top-up cover

Commercial insurance
- Business insurance
- Specialised business insurance
- Top-up cover

PSG Insure's strategic emphasis is on profitable growth in a market characterised by intense competition and low growth rates. The division aims to increase market awareness of the Western National Insurance brand.

PSG Insure prioritises the following core capabilities:

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

How we engage with clients

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

Client engagement happens through a variety of channels:

The *myPSG* integrated secure online platform

Provides clients with a dashboard view of their complete portfolio and access to important documentation, calculators and news feeds.

Events

Clients stay informed of trends affecting the investment landscape through access to webinars and in-person events featuring leading local and international financial experts.

Client newsletters

Keep clients informed about macroeconomic factors and trends, investment opportunities, new products and services.

Equity research team findings

Include securities platform trade notes and investment insights.

Shareholders and analysts

PSG Konsult builds trust with analysts and shareholders through consistent investment returns and strategy execution.

Our track record and prospects inform analysts' recommendations and shareholders' investment or disinvestment decisions. The group's institutional investor shareholder base constitutes 51.0% (2022: 18.2%) of the total shareholding.

	2023		2022	
Distribution of shareholders	**Number of shares**	**% of total**	Number of shares	% of total
Non-public				
PSG Group (through PSG Financial Services)[1]	-	-	810 058 551	61
PSG Konsult directors	**261 620 621**	**20**	78 723 761	6
Management	**17 416 679**	**1**	21 554 602	2
Treasury shares	**13 114 146**	**1**	14 941 396	1
Public				
Public Investment Corporation (including Government Employees Pension Fund)	**163 269 864**	**13**	48 639 086	4
Coronation Asset Management	**154 724 349**	**12**	96 676 601	7
Allan Gray	**151 589 349**	**12**	47 269 252	4
Other public shareholders	**533 954 307**	**41**	213 508 883	15
Total	**1 295 689 315**	**100**	1 331 372 132	100

[1] *PSG Konsult was unbundled from the PSG Group during September 2022.*

Trading statistics	**2023**	**% change**	2022
Number of shares in issue	**1 295 689 315**	**(3)**	1 331 372 132
Number of shares traded	**367 242 608**	**301**	91 671 841
Value of shares traded (R)	**4 208 094 301**	**285**	1 092 163 433
Market price (cents per share)			
– Closing	**1 299**	**(5)**	1 374
– High	**1 476**	**(3)**	1 523
– Low	**981**	**11**	880
Recurring headline earnings per share (HEPS) (cents)	**72.9**	**5**	69.7
Recurring HEPS (excluding intangible asset amortisation cost) (cents)	**78.2**	**5**	74.8
Earnings yield percentage (recurring HEPS)	**5.6**	**11**	5.1
Price-earnings (PE) ratio (recurring HEPS)	**17.8**	**(10)**	19.7
PE ratio (recurring HEPS, excluding intangible asset amortisation cost)	**16.6**	**(10)**	18.4

How PSG Konsult creates value for shareholders and analysts

The group's conservative investment approach balances growth objectives, risk tolerance and future capital requirements while delivering consistent shareholder returns.

PSG Konsult relies on recurring headline earnings and recurring headline earnings per share as non-IFRS measures to evaluate performance. This provides analysts and shareholders with a clear and consistent measure of the group's sustainable earnings.

The group creates insight and understanding through open and honest dealings with the investment community. Investors can base their decisions on timely, transparent and credible information.

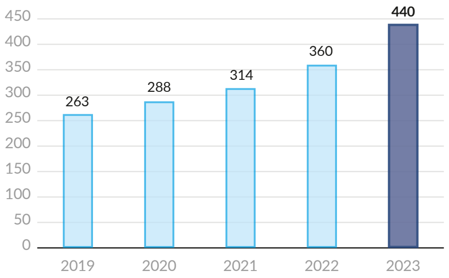
PSG Konsult distributes the financial value it creates to shareholders via dividend payments. The dividend is set with reference to underlying core operating earnings, considering the need to:

- Adhere to capital adequacy, financial soundness and legislative requirements
- Retain earnings and cash flows to support future growth initiatives
- Provide a sustainable dividend that will be paid out to shareholders
- Maintain a dividend pay-out policy of between 40% and 60% (50% previously) of full-year recurring headline earnings excluding intangible asset amortisation. Approximately one-third is paid as an interim dividend and two-thirds as a final dividend

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

PSG Konsult manages shareholder investment risk through its sound governance and risk management structures.

Dividends distributed to shareholders (Rm)



How we engage with shareholders and analysts

Investor relations facilitate two-way communications between PSG Konsult and the financial community. Formal interaction with shareholders and analysts occurs through:

Formal shareholder communication

The JSE and NSX's Stock Exchange News Service (SENS) and SEM announcements, results presentations, media releases, the website, and interim and year-end results (including the integrated report).

AGM

PSG Konsult's AGM, where shareholders vote on the appointment of directors, the audit committee, the external auditor, the group's remuneration policy and implementation report, and resolutions proposed by management and the board.

Investor roadshows

Investor roadshows, either conducted virtually or in person, are attended by analysts, shareholders and potential investors.

Suppliers, service providers and communities

Success in business is defined by relationships.

The group relies on various product suppliers and service providers for various products and services to support operations. External suppliers provide manufactured, human, and social and relationship capital, ranging from technology systems and services to cleaning, security and creative agency services.

Supplier relationships start with a fair selection and pricing process, and are governed by comprehensive service level agreements. We monitor these agreements regularly.

PSG Konsult pays SME suppliers promptly – in less than 30 days. Paying SMEs on time promotes mutual respect and maintains high service levels.

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

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

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

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

PSG graduate programme

The year-long programme develops, nurtures and employs South Africa's young graduates. The programme is in its eighth year, and during 2023 PSG Konsult employed 141 newly qualified graduates (96% of whom are ACI candidates).

South African SME Fund

The fund was established as part of the CEO Initiative in conjunction with National Treasury and corporate South Africa. Its objective is to invest in high-potential entrepreneurial enterprises and provide business and other forms of support to the SME sector. Since 2016, PSG Konsult has invested R2.0 million in this fund. *Read more about this fund on page 38.*

PSG Konsult bursary programme

The bursary programme provides bursaries of R125 000 each to promising students every year.

ASISA enterprise and development programme

PSG Konsult has invested R40.7 million in the ASISA Enterprise Development Fund since February 2015. This initiative invests in the sustainability of SMEs in South Africa. It also supports government's drive for job creation and economic growth. *Read more about this fund on page 38.*

PSG Adopt-a-School programme

This programme supports and enhances the learning and teaching environment in disadvantaged schools to address inequalities and inadequacies in rural areas.

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

Fundisa Fund

PSG Konsult supports the Fundisa Fund, in providing tertiary education for lower-income learners.
This programme supports and enhances the learning and teaching environment in disadvantaged schools, to address inequalities and inadequacies in rural areas.

Childcare and children's homes

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

Local community involvement

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

Enterprise and supplier development

Enterprise and supplier development is an approach to stimulate economies and to create greater diversity in supply chains. The aim of enterprise and supplier development is also to create sustainable jobs and businesses.

Our investment in SMEs contributes to creating a brighter future for South Africans while achieving meaningful and measurable commercial and social impact outcomes.

ASISA Enterprise and Supplier Development Fund

PSG invests in the ASISA Enterprise and Supplier Development Fund (ESD Fund). This is designed to build businesses through a combination of tailored business acceleration and investment support.

Since 2015, PSG has invested R40.7 million in the ESD Fund, which has created **2 692 jobs, with over R905 million** of committed capital deployed to the benefit of ACI South Africans. This investment was also used to support ACI stockbrokers, fund managers and intermediaries in the wealth industry. The ESD Fund focused on supporting numerous ACI-owned motor body repairers within the insurance sector. The graduation of the ESD Fund from enterprise development beneficiary only, to one of our suppliers, is another initiative that drives our commitment to better supplier development.

South African SME Fund

The South African SME Fund (SA SME Fund) was borne out of a desire by corporate South Africa to stimulate economic growth in the country through supporting entrepreneurial activity and helping small and medium businesses scale. Since 2016, PSG has invested R2.0 million in the SA SME Fund.

Highlights of the SA SME Fund include:

- The Fund of Venture Capital Funds has raised R500 million and is the first Fund of Venture Capital Funds in South Africa to receive an investment allocation from a pension fund.
- The SA SME Fund has contributed R100 million to the SMME Crisis Partnership Fund, a R300 million debt fund for SMEs based in Gauteng townships.
- The SA SME Fund, in partnership with First National Bank and Southern African Venture Capital and Private Equity Association supported the First Time Fund Managers Development Programme, with 11 fund managers completing the programme and going on to raise R1.5 billion in capital commitments within 15 months.

Preferential procurement

Preferential procurement supports the use of ACI-owned companies as suppliers. Improving preferential procurement is a continuous process. We engaged ASISA to analyse all of PSG Konsult's vendors.

We have a centralised approved vendor database. We constantly review the scorecards of our suppliers and actively encourage procurement from exempted micro enterprise and qualifying small enterprise vendors. Wherever a suitable vendor with a better recognition level is found and transitioning to a new vendor is practical, the approved list is updated. Future business will be conducted through the new vendor. We use the BEE 123 software system to track our vendors' BBBEE scorecards. Our centralised BBBEE certificate storage repository helps the group remain abreast of vendors' BBBEE levels and compliance.

Government, regulatory bodies and industry associates

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

The government and regulators prevent and investigate fraud, keep markets efficient and transparent, and make sure clients are treated fairly. They do this by, among other things, verifying compliance and capital adequacy. The South African government department that most affects PSG Konsult's ability to create value is National Treasury.

PSG Konsult primarily engages with the Financial Sector Conduct Authority (FSCA) and the Prudential Authority in South Africa. In other jurisdictions, PSG Konsult mainly engages with the Namibia Financial Institutions Supervisory Authority (NAMFISA) in Namibia and the Malta Financial Services Authority (MFSA) in Malta.

PSG Konsult has 21 regulatory operating licences across its range of financial services, 17 in South Africa and 4 in foreign jurisdictions. These necessitate a close and mutually beneficial working relationship with regulators.

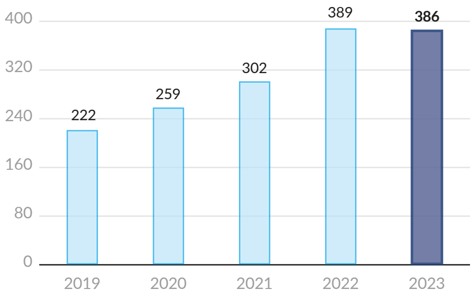
How PSG Konsult creates value for government, regulatory bodies and industry associates

PSG Konsult works with other industry players, regulators and government to improve the functioning of the financial service sector.

Regulatory changes have an ongoing impact on the financial services industry. PSG Konsult stays informed of new regulations and plays an active role in shaping regulations wherever possible.

The group pays tax, according to the relevant legislation of the jurisdiction, in the countries in which it operates.

Normal taxation paid to government (Rm)



How we engage with government, regulatory bodies and industry associates

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

> “Our strong performance demonstrates the competitive advantage of our advice-led business model.”

03

THE 2023 FINANCIAL YEAR

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Our position on climate change and TCFD 50
Divisional reports 52

Investing in difficult times

PSG Konsult's business characteristics:

- The group is reliant on the performance of equity markets
- As an administrative business, we depend on people and systems to function optimally
- Our business is not especially balance sheet intensive
- The group generates strong free cash flows
- We are vulnerable to regulatory change

Local economic overview

In volatile conditions, PSG Konsult's strong risk management culture has given us an advantage.

Over the past year, the South African economy has faced various disruptions, including slowing global growth, geo-political tensions, power challenges, inefficiencies in state-owned enterprises, and climate change. Local gross domestic product (GDP) growth projections for 2022 were 1.7%, followed by 1.1% in 2023 and 1.6% in 2024[1]. However, real GDP growth was 2% in 2022, and the economy expanded by only 0.3% since the outbreak of COVID-19. Private consumption and investment were expected to drive growth, supported by social transfers and an improving labour market, while inflation was predicted to fall slowly due to tighter monetary policy. However, prolonged electricity shortages and persistent inflationary pressures posed risks to growth.

The economy suffered a setback in the second quarter of the 2022 calendar year due to flooding and extensive electricity outages, leading to a contraction of 0.7% quarter-on-quarter. Loadshedding has affected all industries, particularly mining and manufacturing, with 200 days of outages in 2022 alone. Rising domestic fuel prices, exacerbated by currency depreciation and international crude oil price movements, have also impacted the economy.

The commodity cycle boom has boosted tax revenues, allowing the government to prolong the Social Relief Distress grant until March 2024 and introduce temporary measures to cushion the impact of inflation. However, rising debt-service costs and debt above 70% of GDP remains concerning. The central bank has tightened monetary policy, with the policy rate reaching 6.25% in September 2022 and 7.25% in early 2023.

The recovery of private consumption and investment is expected to continue driving growth, but lower commodity prices and global growth are seen as risks. Electricity supply remains tight, with high risks of prolonged outages. The National Treasury forecasts growth of 0.9% in 2023, while the South African Reserve Bank is less optimistic, with a growth outlook of 0.3% based on the assumption of over 250 days of loadshedding in 2023. Strengthening productivity and the tax system are recommended priorities.

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

Key indicator	CAGR %	2023	% change	2022	2021	2020	2019
Rand/US dollar	**7**	**18.36**	**19**	15.45	15.15	15.73	14.06
FTSE/JSE ALSI	**9**	**77 734**	**2**	76 091	66 138	51 038	56 002
S&P 500 (rand)	**17**	**72 877**	**8**	67 588	57 725	46 247	39 221
All Bond Index	**8**	**875**	**5**	834	765	706	649
Cash index – SteFI Call	**5**	**463**	**5**	439	424	407	382
SA Property Index	**(11)**	**313**	**(3)**	322	285	363	492

Rand/US dollar

The South African rand was trading at R18.36 against the US dollar at the end of February 2023, a near three-year low. This is due to concerns over the global financial system's health and a potential US economic recession, leading investors to avoid riskier assets. The US Federal Reserve is widely expected to increase interest rates as inflation remains above its long-term target of 2%. The South African Reserve Bank is also likely to continue its interest rate hiking cycle.

FTSE/JSE ALSI

The FTSE/JSE All Share Index outperformed the MSCI All Country World Index in 2022, suggesting promising prospects for equities and attractive investment opportunities.

SA Property Index

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

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

- Cyber threats
- Economic and systemic risks
- Dependencies on key service providers and vendors
- New regulatory requirements
- Lack of client growth and reduction of net flows impacted by a number of internal and external factors, including:
  - Failure to successfully implement business initiatives
  - Increase in emigration
  - General volatility in financial markets

Refer to the risk report on pages 95 and 96 for additional information.

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[1] *Sources:*
Various PSG Wealth Perspectives publications available at: https://www.psg.co.za/news-and-publications
https://www.oecd.org/economy/south-africa-economic-snapshot/
https://www2.deloitte.com/za/en/insights/economy/emea/africa-economic-outlook.html

Our strategy

PSG Konsult has a strong record of strategy execution due to a stable management team and extensive collaboration across the business.

Our group strategy

PSG Konsult's overarching strategic objective is to be a highly respected retail financial group. Each year progress is made in building the most cost-efficient and scalable business. The group's strategic focus remains the execution and implementation of three financial business objectives:

Executing our strategy

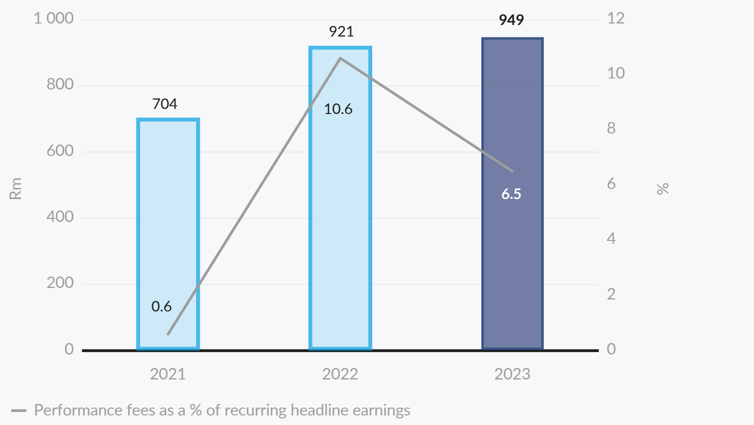
The group's strategy demonstrates a preference for organic growth that targets revenue growth, healthy margins at an appropriate risk level with acceptable trade-offs. To achieve the group's vision, PSG Konsult must attract and retain the right people, sell leading products and develop and maintain excellent platforms. As part of the budgeting process, each division identifies actions to support and drive:

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

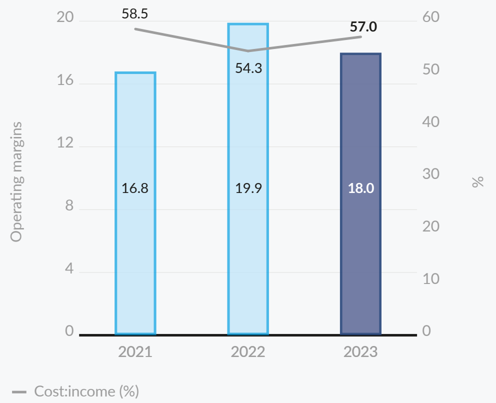
Financial business objectives	Recurring revenues	Margin enhancing	Risk versus return
Strategic intent	Focus on generating recurring income, which leads to enhanced sustainable earnings.	Optimise the profit margin to ensure that an acceptable return on capital is earned.	Maximise every rand earned relative to an acceptable unit of risk.
Execution and implementation	• Daily analysis and monitoring of new client money inflows • Dashboards and exception reporting • Operating costs structured as variable, where possible • Strengthening sales and marketing focus • Data analytics and management information systems to pinpoint growth opportunities and areas needing attention, while holding people accountable by tracking and monitoring performance against targets • Integration and cross-selling of products and services to existing clients	• Streamlined systems and processes to reduce operational risk and increase efficiency • Focus on product and innovation for sustainability of profit margins – rather than financial leverage – to generate an acceptable return on capital • Focus on net new money fee margin to monitor and evaluate quality of business • Optimise client journey experience to reduce frictional costs • System automation to achieve system scalability and straight-through processing	• Exit from business areas and products that carry undue risk relative to their earnings contribution • 'Three layers of defence' risk management

Performance

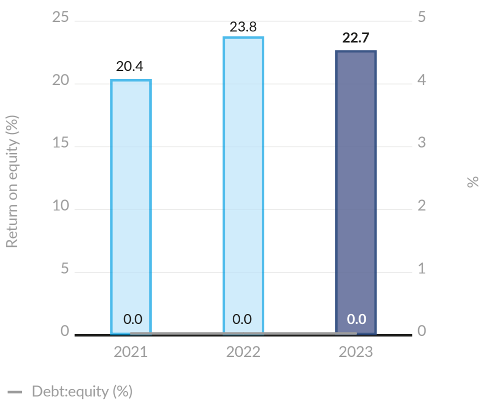
Recurring headline earnings



Operating margins



Risk versus return



CEO and CFO report

The performance of our key financial metrics against a challenging operational backdrop highlights the competitive advantage of our advice-led business model.

Internationally, inflation remained elevated and supply chain disruptions affected several industries. Locally, our clients' discretionary income was under pressure with rising living costs, elevated unemployment – particularly under young people – and muted economic growth. In addition, the energy crisis impacted businesses. Our clients relied on our trusted advice and strong brand to navigate these circumstances.

Performance

PSG Konsult delivered a 5% increase in recurring headline earnings per share and a return on equity of 22.7%. Total assets under management increased by 13% to R354.1 billion, comprising assets managed by PSG Wealth of R305.5 billion (12% increase) and PSG Asset Management of R48.6 billion (16% increase), while PSG Insure's gross written premium amounted to R6.2 billion (9% increase).

Over the period, the JSE/FTSE All Share Index only increased by 2%, compared to 15% in the previous financial year. This impacted performance fees, which constituted 6.5% of headline earnings in comparison to 10.6% for the previous financial year.

From a cost perspective, PSG Insure was adversely impacted by the floods in KwaZulu-Natal during April 2022, but Western National's comprehensive reinsurance programme cushioned the effect on underwriting results.

PSG Konsult's key operational and financial performance indicators for the year ended 28 February 2023 are shown below.

Financial performance indicator	2023	% change	2022
Recurring headline and headline earnings (R000)	**948 785**	3	920 663
Recurring headline earnings (excluding intangible asset amortisation cost) (R000)	**1 019 306**	3	988 198
Recurring headline and headline earnings per share (cents)	**72.9**	5	69.7
Recurring headline earnings per share (excluding intangible asset amortisation cost) (cents)	**78.2**	5	74.8
Recurring headline earnings per share (excluding performance fees) (cents)	**68.2**	9	62.4
Cost:net income ratio (%)	**57.0**	5	54.3
Operating margin (%)	**18.0**	(10)	19.9
Operating margin (excluding performance fees) (%)	**17.0**	(8)	18.4
Assets under management (Rbn)	**354.1**	13	314.6
Assets under administration (Rbn)	**481.5**	3	468.0
Underwriting premium income (R000)	**1 207 316**	8	1 114 885
Debt:equity ratio (%)	**0.0**	0	0.0
Return on equity (ROE) (%)	**22.7**	(5)	23.8
Return on equity (excluding performance fees) (%)	**21.2**	0	21.3

Divisional performance

PSG Wealth achieved recurring headline earnings growth of 11%

The division continued its commendable performance, despite the challenging market conditions. Core income increased by 9% during the current year, consisting of a continued increase in management and other recurring fees, while transactional brokerage decreased due to lower trading activity compared to the prior year.

Clients' assets managed by our Wealth advisers increased by 12% to R305.5 billion, which included R13.3 billion of positive net inflows. The division's formidable financial adviser network consisted of 590 Wealth advisers, a net increase of six advisers for the year.

For the fourth consecutive year, the division was recognised as the Wealth Manager of the Year: Large Institutions at the Intellidex 2022 Wealth Manager of the Year Awards. The division also won the Young Professional, Lump-sum Investor and Retiree archetype categories at these awards.

PSG Wealth continues to advise clients to focus on their long-term goals and to maintain diversified portfolios, especially during challenging times. Our advisers provide clients with expert advice and maintain excellent relationships through integrity, trust and transparency. In addition, our sustained investment in digital capabilities to enhance the client experience enables us to operate seamlessly in a changing environment.

PSG Wealth advisers provide valuable client feedback to help us continually improve our platform and products, and management is proud of their experience and reputation. Our Wealth business is well placed to meet client investment needs and consistently strives to improve both our adviser and client service offerings.

Read more from page 55.

PSG Asset Management's recurring headline earnings decreased by 10%

The division's results for the year were impacted by lower performance fees; however, management fees increased by 11%. Client assets under management increased by 16% to R48.6 billion this year, due to a combination of market movements and net client inflows. The division also saw a 14% increase in administered assets to R197.6 billion, supported by R7.7 billion of multi-managed net inflows.

The division's long-term investment track record continues to improve, with most funds performing in the top quartile over a three-year period. PSG Asset Management's strong fund performance across the fund range was recognised at the 2022 Raging Bull Awards, receiving six awards, including the coveted South African Manager of the Year award.

PSG Asset Management continuously engages with clients on the merits of the diversification properties that its approach brings to a portfolio strategy.

Read more from page 59.

PSG Insure's recurring headline earnings decreased by 4%

The division's results were adversely impacted by the KwaZulu-Natal floods, which were classified as a catastrophe event. Despite the impact of this, Western achieved a net underwriting margin of 13.0%, compared to the 18.5% achieved in the prior year, due to quality underwriting practices and a comprehensive reinsurance programme.

Western received the Product Supplier of the Year: Non-Life Commercial award at the 2022 FIA Intermediary Experience Awards.

The division continues to invest in its claims and administration functions to build scale and unlock operational efficiencies, thereby enabling our high-calibre advisers to focus on client relationships.

Read more from page 63.

Capital management

PSG Konsult's capital cover ratio remains strong and increased to 263% (2022: 240%) based on the latest insurance group return. This comfortably exceeds the minimum regulatory requirement of 100%. During July 2022, Global Credit Rating Co. affirmed the group's long-term and short-term credit ratings at A+(ZA) and A1(ZA) respectively, with a Stable Outlook.

> The increase in the group's capital cover ratio and the credit rating affirmation is testament to the group's strong financial position and excellent liquidity.

PSG Konsult also continues to generate strong cash flows, which gives us various options to optimise our capital structure and risk-adjusted returns to the benefit of shareholders:

- The group repurchased and cancelled 35.7 million shares at a cost of R415.9 million during the period, as part of shareholder capital optimisation.
- The board decided to increase the upper limit of the group's dividend policy pay-out ratio to 60% (50% previously) of recurring headline earnings, excluding intangible asset amortisation.
- Our shareholder investable asset's exposure to equity marginally increased to 6% (previously below 5%). We continue to monitor investment markets and will gradually increase our value at risk exposure to align with our long-term target.

Our primary objective remains to grow organically, and to fund that growth prudently.

Marketing initiatives

The group hosted more than 170 in-person events and over 60 webinars throughout the year. These events gave advisers, employees, and industry representatives the chance to gain insights from recognised experts and the leadership team on political, economic, and practical matters.

Our successful *Think Big* webinar series, now in its third year, continues to attract viewers and subscribers to our YouTube and Spotify channels. The series has proven popular over time, and the media recognises it as a credible content source for thought leadership. With approximately 60% non-client viewers, it is a strategic brand awareness and lead-generation tool for the group. In the past fiscal alone, the series received almost 30 000 unique registrations.

We produce tailored marketing plans per adviser office and offer support on the execution. The group also runs integrated product campaigns that help to generate flows and new client leads into the business. An example of this is the retirement annuity/tax-free investment product campaign at tax year-end which saw a record high 2.2 million website events.

In the digital environment, both paid and organic search campaigns see an average of more than 800 000 website visits per month. Social media accounts continue to attract new followers and we are seeing increased engagement levels.

Investments in technology and people

> We remain confident about the group's long-term growth prospects, and we therefore continued to invest in both technology and people.

Compared to the prior year, our technology and infrastructure spend increased by 13% (these costs continue to be fully expensed). Investments in technology enhance our client and adviser experience, and help the group grow business volumes while keeping our fixed cost base low.

The focus for 2023 was to continue to improve our client onboarding and user experience by proactively reviewing the way each client prefers to interact with the group. This supports the group's business principle of building trusted relationships with clients. Engagement focused on a combination of direct client contact through the group's adviser network, client events and online touchpoints such as webinars.

As an employer of choice, PSG Konsult offers a high-performance workplace environment and an appealing culture that attracts and retains excellent employees. Our fixed remuneration cost grew by 10%, and through internal promotions and career development initiatives we demonstrated the effectiveness of our succession planning. We are proud of the progress made in growing our own talent, with 141 newly qualified graduates (96% of whom are ACI candidates) having joined during the year.

We have adopted a hybrid at-home and in-office working policy. This affords employees the flexibility to work from home for part of the week, while acknowledging the value of a strong office culture. Training and growing our employees, including by transferring knowledge to more junior employees, is a critical component of our talent management strategy. Hosting teams at the office fosters inclusion, debate, learning and innovation.

Prevailing load shedding is a risk we continue to monitor closely. On the one hand, we supported our clients as needed, and on the other, we took steps to ensure resilience across the group. A management-level working committee set up a business continuity plan and oversaw the implementation of advanced uninterrupted power supply systems and additional generators where necessary. This considers all our stakeholders – from how employees are able to work, to delivering on client expectations and protecting their data.

Dividend declaration

The group delivered a resilient overall performance with a positive outlook. The board has approved a final gross dividend of 25.0 cents per share from income reserves for the year ended 28 February 2023 (2022: 22.0 cents per share). The board decided to increase the upper limit of the group's dividend policy pay-out ratio to 60% (previously 50%) of recurring headline earnings, excluding intangible asset amortisation.

Looking forward

We have always been confident that resourceful South Africans will build a better future for themselves and their children. Nevertheless, current economic activity remains depressed, and expectations have plummeted to new lows.

Despite this, we believe that conditions are ripe for change. Ordinary hardworking and honest South Africans have clearly had enough, and significant job losses have further created an alignment of interests for labour and the private sector to work together. At the same time, the private sector still has a significant pool of skilled resources and capital at its disposal. We are therefore mindful that a credible package of measures aimed at remediating South Africa's networked industries, while meaningfully involving the private sector and labour, can quickly serve to uplift the public mood as action translates into much needed forward momentum.

> Irrespective of the short-term challenges, we remain confident in our long-term strategy and will continue to invest in our businesses, thereby securing prospects for growth.

We will, however, continue to monitor local and global events and the associated impact on the group's clients and other stakeholders.

On behalf of PSG Konsult's management team, we would like to thank our stakeholders, which include shareholders, advisers, clients, business partners, regulators, management, and employees, for their ongoing support and dedication.

Francois Gouws
CEO

Mike Smith
CFO

Our position on climate change and TCFD

What is TCFD?

Established by the Financial Stability Board in 2015, TCFD is an industry-led group that helps investors understand their financial exposure to climate risk and works with companies to disclose this information clearly and consistently.

As a group with a conservative, long-term investment approach, PSG Konsult is cognisant of the impact that ESG issues can have. Companies that neglect their social and environmental obligations will ultimately struggle to deliver sustainable long-term returns.

Climate change is a complex and evolving phenomenon that poses risks to the security of our clients, society and the global economy. Inversely, there are also opportunities for investors to play a role in bringing about change, which can include managing factors related to transitioning to a low carbon economy.

The PSG Konsult board and executive management acknowledge the importance of the TCFD recommendations. Given the nature of our business, we support the advancement of more effective climate-related disclosures to promote better informed investment and insurance underwriting decisions.

PSG Asset Management follows the principles outlined in the Code for Responsible Investing in South Africa (CRISA) and applies the principles of responsible investment in its philosophy and process. In addition, in March 2021, PSG Asset Management signed the United Nations Principles for Responsible Investment (UN PRI). According to the UN PRI 2021 Annual Report, investor signatories identify climate change as their number one ESG concern. Likewise, PSG Konsult recognises our responsibility in addressing climate change as a pressing sustainability risk.

The disclosure below is divided into the four categories outlined by the TCFD – governance, strategy, risk management, and metrics and targets. It represents the group's assessment of the impact climate-related risks and opportunities can have on PSG Konsult, as well as our impact on the environment over the short, medium and long term.

We view TCFD reporting as a long-term journey. The PSG Konsult board and executive management commit to honesty and transparency as we continue to monitor and oversee climate-related risks and opportunities and enhance our climate-related disclosure. The "future focus" headings below represent realistic short- to medium-term objectives.

Governance

Board oversight

The PSG Konsult board is ultimately responsible for the governance of risk, and has mandated the risk committee to be responsible for the oversight of climate-related risks and opportunities.

Executive management's role

Executive management is responsible for identifying risks and opportunities (including for ESG) and for developing and implementing policies, procedures and controls to address, manage and reduce these risks and prudently pursue opportunities.

Own Risk and Solvency Assessment

The group's annual Own Risk and Solvency Assessment (ORSA) process includes enhancements to governance processes, risk strategy and documentation. The aim of the process and the annual PSG Konsult ORSA report, is to demonstrate business sustainability and resilience. Climate-specific risks were included as an emerging risk in our 2022 ORSA report.

PSG Asset Management ESG policy

In 2020, the board reviewed and updated PSG Asset Management's ESG policy and in 2021, the division streamlined the integration of ESG in its investment process and analysis of potential investee companies. More detail can be found under the "strategy" section.

Future focus

Our focus will be to establish reporting lines and processes for reporting climate information to management and the board, aligned to the group's existing risk structures as outlined in the risk report on page 94.

Strategy

We identified two key potential impacts of climate-related risks and opportunities for PSG Konsult:

PSG Insure – Climate change and insurance

The consequences of climate change are already evident in more extreme weather events. The potential increased scale and frequency of severe weather and natural disasters directly impacts the insurance industry.

Climate change was identified as a top-tier, increasing inherent risk for Western in our 2022 ORSA report, as related to claims frequency and severity. Western will be impacted in the event of an increase in weather-related claims, especially catastrophe events, which will also impact reinsurance capacity and cost. To mitigate this risk, PSG Insure conducts diligent underwriting management and analysis of underwriting data by skilled teams. The division also ensures it is adequately reinsured to limit its exposure on large losses and catastrophe events.

PSG Insure is committed to continually enhance its understanding of the risks climate change poses to its business and stakeholders.

PSG Asset Management – Climate stewardship

PSG Asset Management's investment philosophy and process are driven by the principles of responsible investment: investing in businesses with long-term growth strategies and management teams that function as good custodians, in clients' best interests. Assessing investee companies through an ESG lens offers additional insights into the strength of the management team, the moat (sustainable competitive advantage) of the company, and the risks and opportunities associated with the investments. Considering ESG factors will therefore ultimately favour investors and improve their returns.

To obtain ESG information, the division conducts in-depth ESG research, which includes reviewing company disclosures and available qualitative ESG analysis. Analysts consider ESG aspects as part of the quality assessment on a case-by-case basis for each investee company. Case study examples are provided in PSG Asset Management's Annual Stewardship Report, which is available at https://download.psg.co.za/files/asset-management/PSG-AM-Stewardship-report-2022.pdf

Key environmental aspects considered will vary by industry but generally include carbon emissions, water stress, land use, waste treatment, air pollution and biodiversity impacts. When evaluating investments in companies where climate change is a key risk factor, analysts adopt a holistic approach, taking into account the important nuances and ESG trade-offs associated with these investments.

PSG Asset Management acknowledges that holding companies to account for ESG issues is not only a key part of its fiduciary duties, but also the right thing to do.

Future focus

We will continue to identify new physical and/or transition risks and opportunities as they arise and monitor the impact of the risks and opportunities mentioned above on our business strategy over the short, medium, and long term.

Risk management

PSG Konsult's processes for identifying, assessing and managing risk is set out in the risk report on page 94. Robust risk management ensures that acceptable risk and adequate capital levels are maintained. We enhance our systems and processes incrementally to monitor and manage risk – this includes leveraging existing processes for the identification, qualitative assessment, and management of climate-related risks and opportunities.

The group currently considers the financial impact of climate-related risks on our business to be low, as it mainly relates to the impact on Western explained above.

Future focus

We will formally integrate the processes for identifying, assessing and managing climate-related risks into overall risk management and assign responsibilities to groups or individuals throughout the group for climate risk management.

Metrics and targets

PSG Konsult limits the use of electricity, paper and water in the office environment. The group's head office in Cape Town is rated a five-star green building, while the offices in Waterfall and Centurion are both four-star green buildings. The use of video conferencing facilities at each of the major offices across the country reduces travel.

Considering the operational nature of our business, which is advice and platform based, PSG Konsult has a relatively low direct environmental impact. For this reason, we do not consider it practical to track and provide energy, water, waste and carbon emission metrics for the group at this stage.

Future focus

PSG Asset Management's environmental assessments of investee companies (as discussed under Strategy above) do include the evaluation of high-level metrics for climate-related risks and opportunities. The division's approach to ESG continues to evolve and grow as it weighs up the various trade-offs between competing stakeholders and imperatives.

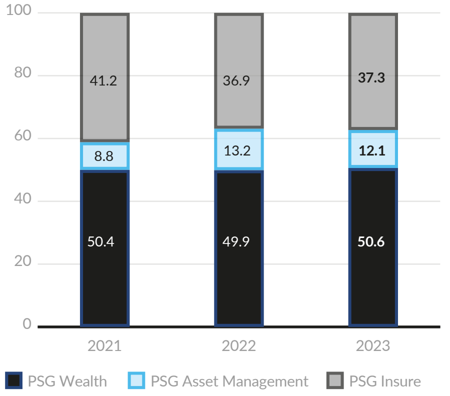
Divisional reports

Divisional overview

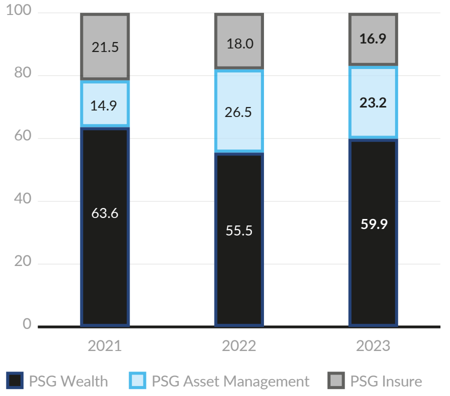
	PSG Wealth	PSG Asset Management	PSG Insure
Business units	• Securities • Multi-managed solutions • Employee benefits • Linked investment business/linked investment service provider platform • Wealth distribution (including fiduciary services)[1]	• Asset management • Collective investments (local and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

[1] *CEO Dan Hugo*

Divisional contribution to group core income (% contribution)

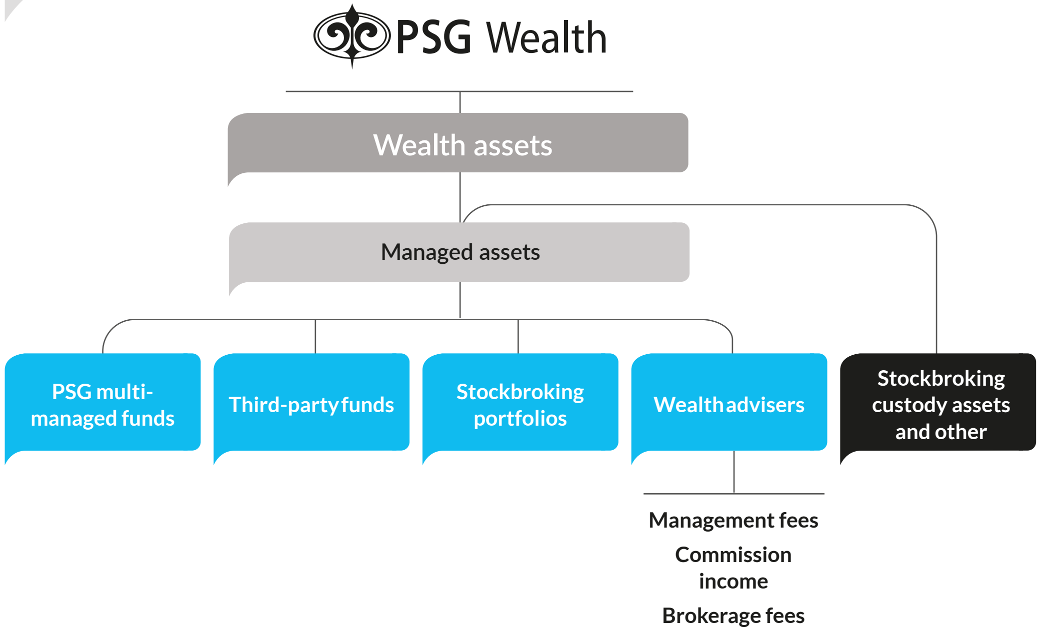


Divisional contribution to group recurring headline earnings (% contribution)



PSG Wealth

> Our advisers leverage the specialist expertise of our wider network to bring a truly integrated financial planning experience.
>
> **Etienne de Waal**



Strategic insights

An overview of PSG Wealth

PSG Wealth offers comprehensive wealth management, designed to meet the needs of individuals, families and businesses. PSG Wealth works with clients to achieve their financial goals, including making appropriate investment choices, structuring an investment portfolio, and arranging insurance to cover clients against unforeseen risks. Clients can trade directly through an online trading platform or opt for a managed portfolio through a skilled wealth manager. PSG Wealth also offers an estate planning and fiduciary service, including trusts and the administration of deceased estates. PSG Wealth further facilitates a range of employee benefits, insurance, and investment solutions for business owners.

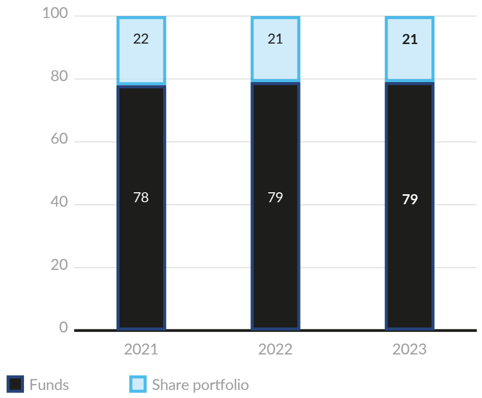
Assets split (Rm)	2021	Market movement	Net flows	2022	Market movement	Net flows	2023
PSG multi-managed[1]	107 589	7 535	16 578	131 702	9 539	7 721	148 962
Third-party funds[2]	73 612	4 964	4 507	83 083	4 763	5 280	93 126
Stockbroking portfolios	51 378	7 032	(530)	57 880	5 241	292	63 413
Total managed assets	**232 579**	**19 531**	**20 555**	**272 665**	**19 543**	**13 293**	**305 501**
Stockbroking custody assets[3]	113 737	32 289	(3 974)	142 052	(25 229)	(1 402)	115 421
Third-party administration	10 691	303	265	11 259	757	(88)	11 928
Total PSG Wealth assets	**357 007**	**52 123**	**16 846**	**425 976**	**(4 929)**	**11 803**	**432 850**

[1] *Includes PSG single-managed funds of R12.6 billion for 2023, R11.1 billion for 2022, R9.6 billion for 2021.*

[2] *Includes PSG single-managed funds of R8.9 billion for 2023, R7.7 billion for 2022, R6.4 billion for 2021.*

[3] *The 2023 market movement is a consequence of the PSG Group unbundling.*

Growing managed assets (%)



PSG Wealth's top risks and the associated mitigating actions

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

How PSG Wealth contributes to the financial business objectives of the PSG Konsult strategy

Recurring revenues

PSG Wealth focuses on growing recurring revenue, which reduces our reliance on transactional revenue, particularly in the securities business.

Margin enhancing

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

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

Our ongoing drive to automate improves our service levels while keeping our cost base low.

Risk versus return

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

We grew our network of advisers to support the group's growth strategy.

Performance overview

In difficult market conditions, the merits of PSG Wealth's investment approach and stable client advice plans have been proven.

Recurring headline earnings				
⇑ 11%	2023 R568.5 m	2022 R510.5 m	2021 R447.7 m	
Core income				
⇑ 9%	2023 R3.3 bn	2022 R3.0 bn	2021 R2.6 bn	
Managed assets				
⇑ 12%	2023 R305.5 bn	2022 R272.7 bn	2021 R232.6 bn	
Gross margin				
46.3%	2023 46.3%	2022 46.3%	2021 45.9%	
Operating margin				
23.0%	2023 23.0%	2022 23.0%	2021 22.4%	
Net inflow of managed assets				
R13.3 bn	2023 R13.3 bn	2022 R20.6 bn	2021 R14.0 bn	
Management fees				
⇑ 8%	2023 R838.3 m	2022 R779.2 m	2021 R649.5 m	
PSG Wealth adviser network				
⇑ 1%	2023 590	2022 584	2021 563	

In 2023, lower local and international market levels, increased inflation, and South Africa's imminent greylisting by the Financial Action Task Force resulted in negative investor sentiment, which did impact PSG Wealth's revenue. In addition, in South Africa our clients are affected by ongoing socio-economic pressures, exacerbated by increased load shedding which affects their businesses.

In such times, regular engagement and communication with our advisers and clients is crucial. We support clients by reiterating the merits of sticking to their longer-term investment plans. Our PSG Wealth solution funds have also proven to deliver on client plans through consistent investment outcomes. These are achieved by means of multi-layered diversification (across assets, underlying managers, and geographies), which deliver over the long run, despite market upheavals.

To raise awareness on topical issues and how they affect our clients and non-clients alike, we continued with our popular *Think Big* webinar series. The theme for the series was 'The future of…', and topics included taxation in South Africa, digital banking and telecoms and politics across local and global stages. Notable speakers included Kgalema Motlanthe, Kuben Naidoo, Pierre de Vos and Justice Malala.

Despite the tough operating context, PSG Wealth delivered robust results, growing recurring headline earnings by 11% and recording net inflows of R13.3 billion in managed assets.

Our continued, crucial investments in enhancing our operating model, coupled with the contracting of market levels meant that margins remained steady, which is an achievement in this operating context.

Our focus was on the steady execution of the organic growth strategy we have held for the past three years. PSG Wealth's employee profile and management teams have remained stable, which contributed to strategic execution and good performance.

PSG Wealth has a high-net-worth client base which is growing steadily and evolving – through targeted marketing campaigns – to better reflect the transformed South African economy.

We were again recognised as the Top Wealth Manager of the Year: Large Institutions at the prestigious digital Intellidex Top Private Banks and Wealth Managers Awards, for the fourth consecutive year. We also secured three archetype awards for Lump-sum Investor, Retiree, and Young Professional. In addition, we improved our position in the annual Intellidex Top Securities Brokers awards, placing as runners-up overall (up from third place in 2021) and achieving first place finishes for Top CFD Provider, the Young Investor archetype, and the Executive archetype.

These recognitions are testament to the consistent dedication of our Wealth advisers and employees to deliver on our clients' needs and support them in uncertain times.

Internally, we adopted a hybrid at-home and in-office working policy, and management spent time reviewing our business continuity plans to ensure our systems are resilient and our employees and advisers are properly supported to best serve our clients, particularly given the prevalence of load shedding.

One aspect of the business where we have reinstated an in-office, face-to-face policy is for the newly qualified graduates we employed through our graduate programme. We feel strongly that being in office benefits their development and establishes a strong connection to our company culture. This approach has proven to be key in developing our talent pipeline, and many graduates from previous intakes have risen in the ranks to become more senior in our investment and service environments.

Digitisation remained a focus and an area of investment to enable PSG Wealth to operate more efficiently, provide a better client experience, use data to enhance investment decisions, and ensure the security of our clients' data.

One of PSG Wealth's competitive advantages – and an enabler to the stability of our performance – is our targeted operating model, which includes digital straight-through processing of client data, document management, transactions and client communication.

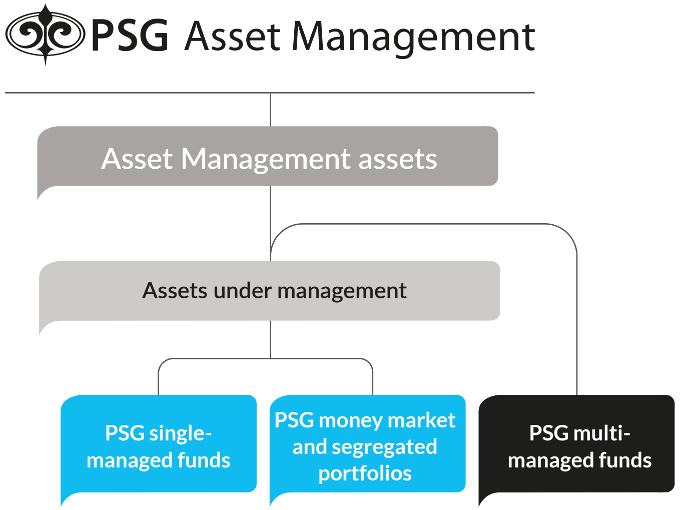
Our digital platforms allow advisers to have full control of the administration of their clients' portfolios from the onboarding phase onwards. Our automated processes help reduce the administrative burden on clients and advisers, and allow advisers to devote more of their time to the advice process.

Digitisation also helps reduce the time and marginal costs, which contributed to our stable operating margins and bottom line. Although, it does come with an increased risk of cyber crime, and we took a proactive approach by reviewing our cyber security measures to ensure we have robust preventive controls in place. We implemented multi-factor authentication for all employee Microsoft Office 365 accounts to enhance security and reduce the risk of data breaches and other cyber attacks.

The operating environment remains challenging for growth, but PSG Wealth has proven to be competent in addressing unpredictable external factors. We will continue to serve clients in an integrated manner and focus on client service excellence through the quality of our products, platforms and the advice we provide.

PSG Asset Management

Anet Ahern



Strategic insights

As stewards of our clients' capital, we remain focused on unlocking long-term value for our investors. At times like these, we believe differentiated portfolios like ours are more valuable than ever as part of a holistic investment solution.

PSG Asset Management overview

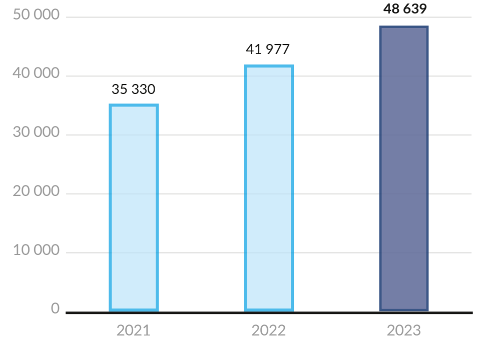
PSG Asset Management is a leading investment management company offering a range of local and global funds, with the corresponding feeder funds available from South Africa. Our long-term track record affirms the success of our proven process and offers important diversification and alpha generation benefits to patient investors. We offer investment management to long-term retail and institutional investors based on a research-driven approach with a strong emphasis on risk management.

We believe that the price you pay for an investment is extremely important and our 3M approach combines a preference for attractively priced investments (our Margin of safety) with a rigorous quality overlay (assessment of Moat and Management). We follow a bottom-up, research-driven investment process.

Our research teams create carefully curated buylists across all asset classes from which our fund managers construct portfolios within the parameters of the specific mandates in our focused fund range. We aim to construct portfolios that are highly likely to achieve the required return over a range of future scenarios.

Our long-term track record affirms the success of our proven process, and our funds offer essential diversification benefits to a blended client portfolio. Our portfolios are also good options for patient retail investors who can take a longer-term approach to riding out the occasional volatility, which is part and parcel of active management.

Assets under management (Rm)



Assets split (Rm)	2021	Market movement	Net flows	2022	Market movement	Net flows	2023
PSG single-managed	32 788	7 184	(29)	39 943	**5 549**	**1 087**	**46 579**
PSG money market	2 507	–	(510)	1 997	**-**	**26**	**2 023**
PSG segregated portfolio	35	2	–	37	**(1)**	**1**	**37**
Total assets under management	**35 330**	**7 186**	**(539)**	**41 977**	**5 548**	**1 114**	**48 639**
PSG multi-managed[1]	107 589	7 535	16 578	131 702	**9 539**	**7 721**	**148 962**
Total PSG Asset Management assets	**142 919**	**14 721**	**16 039**	**173 679**	**15 087**	**8 835**	**197 601**

[1] *Includes the PSG Multi Management Funds.*

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

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

How PSG Asset Management supports the overall PSG Konsult strategy

Recurring revenues

In 2023, we experienced an increase in annuity income, 11% up year on year.

Most of our funds have flat fees. As the funds grow, the quality and sustainability of our income improves. This reduces our reliance on performance fees.

Margin enhancing

PSG Asset Management has a good return on equity as the division is not capital intensive and has a low fixed cost component.

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

A detailed fee policy is in place to protect capacity in the interest of existing clients and to manage the overall margin while remaining competitive.

Risk versus return

Risk management is a critical component of PSG Asset Management's investment process. We develop investment portfolios that aim to deliver on investment mandates across various scenarios.

We proactively manage client and product diversification to limit our dependence on any single client or asset class.

Strategic execution

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

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

Responsible investment

As long-term investors, we appreciate the impact that sustainability issues can ultimately have on the competitive environment, both within and across industries. We strongly believe that an ESG lens offers additional insights into the strength of the management team, the moat of the company, and the risks and opportunities associated with the investments. We acknowledge that holding investee companies accountable for ESG issues is a vital part of our fiduciary duties.

PSG Asset Management is a signatory to the CRISA. We have a published ESG policy which is incorporated into our analysis of potential investee companies. We regularly review and update this policy. We have an investment committee that makes investment decisions with consideration of principles of responsible investment and our clients' interests.

Performance overview

Recurringheadline earnings

↓ 10%	2023 R220.3 m	2022 R244.3 m	2021 R104.9 m

Assets under management

↑ 16%	2023 R48.6 bn	2022 R42.0 bn	2021 R35.3 bn

Operating margin

23.3%	2023 23.3%	2022 26.8%	2021 15.8%

Net flow of managed assets

R1.1 bn	2023 R1.1 bn	2022 (R0.5 bn)	2021 (R5.0 bn)

Core income

↓ 2%	2023 R787.3 m	2022 R799.3 m	2021 R462.1 m

Assets under administration

↑ 14%	2023 R197.6 bn	2022 R173.7 bn	2021 R142.9 bn

Gross margin

45.8%	2023 45.8%	2022 49.1%	2021 38.4%

Performance fees contribution to group recurring headline earnings

6.5%	2023 6.5%	2022 10.5%	2021 0.5%

PSG Asset Management delivered strong performance in most of our key metrics, demonstrating that our rigorous investment strategy is sound, and renders top quartile risk-adjusted long-term investment returns for our clients.

While recurring headline earnings declined by 10%, assets under administration, including PSG Wealth multi-managed funds, increased by 14% to R197.6 billion, and assets under management increased by 16% to R48.6 billion. The division's results for the year were impacted by lower performance fees; however, the net inflows were positive against a backdrop of poor flows to equity-oriented funds in general. All our funds have been in the top quartile over the past year, with some in the top decile in their sectors.

> PSG Asset Management acquired the coveted title of South African Manager of the Year at the 27th edition of the Raging Bull Awards. This recognises PSG Asset Management as a holistic investment house, which positions us for growth.

Our excellent results can be attributed to several factors, mostly related to PSG Asset Management's enduring and consistent long-term approach, with strategies set three to five years ago showing successful outcomes in volatile current trading conditions. A disciplined approach to buying low and selling high – regardless of prevailing market sentiment – has allowed us to capitalise on market and economic cycles.

In the 2023 financial year, global rising inflation coupled with negative sentiment in South Africa impacted global investment markets, which led to significant changes in the market segments that performed well. Stocks such as US long bonds and blue chips – traditionally seen as safe and stable investments – deteriorated from the second half of the financial year.

These market conditions affected PSG Asset Management in different ways. Firstly, it led to some uncertainty with clients on how to navigate the environment, and the strong relationships our adviser base has with clients proved invaluable. Our marketing efforts focused on regular, direct communication with advisers and clients. This proved effective in difficult market conditions.

Secondly, since PSG Asset Management had been concerned for some time about inflation and the over-evaluation of developed market government bonds, we were not over-invested in these segments. We sought opportunities in resilient local stocks, undervalued government bonds and multi-nationals.

> Overall, our responsible investment strategy and more balanced portfolios performed well, with differentiated portfolios like ours proving more valuable than ever as part of a holistic investment solution.

To help ensure we maintain good performance going forward, we increased our focus on longer-term succession and growing our own talent. We introduced a proactive career advancement programme, yielding 13 internal promotions in 2023. In addition, our efforts to transform and diversify our employee profile have paid off, with metrics improving steadily year on year.

The number of graduates in PSG Asset Management – through the group graduate programme – stands at 9, and 10% of our employees come from the programme.

> The success of the graduate programme is an indication of the success of prioritising talent development within the business, which is a competitive advantage for our division, along with our good track record of retaining key employees.

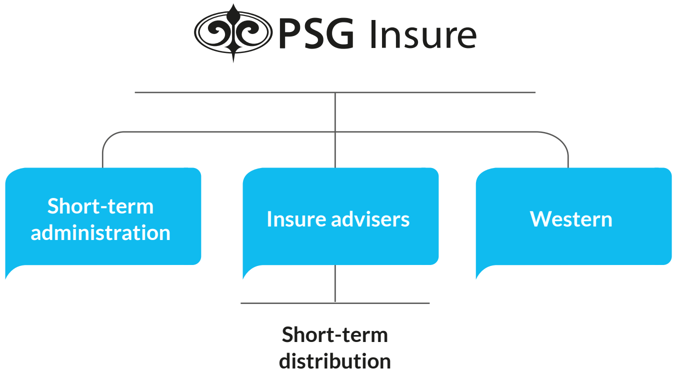
We continued to integrate digital initiatives in line with group initiatives to eliminate duplication and increase efficiency. We are implementing a new order management system to streamline portfolio reporting and trading.

Volatile markets will continue. We believe that the shift to a higher inflation and higher interest rate environment is still under way, and that stocks taking advantage of the real economy will continue to perform well.

> The industry recognition PSG Asset Management received positions us well to keep improving net inflows and to benefit from the significant potential we have to gain market share.

PSG Insure

> Thanks to quality advice from our advisers, excellent client service, and comprehensive range of insurance solutions, we are a leading insurance player.
>
> **Cedric Masondo**



Strategic insights

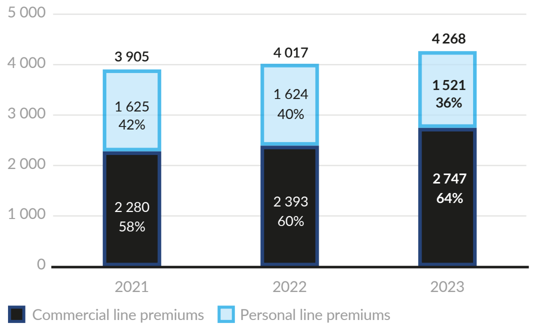
PSG Insure overview

PSG Insure provides non-life insurance advice and insurance solutions to individuals and businesses. PSG Insure consists of three business units:

- Short-term distribution: Our network of specialist insurance advisers throughout South Africa caters for everyday, commercial and specialist needs. Some clients prefer the direct insurance model and are serviced through our client care centre. We work with leading insurance providers to offer a comprehensive range of insurance options. This allows advisers to structure cost-effective and tailored insurance solutions. We do not sell insurance purely on price; instead we focus on value-for-money solutions structured around the client's needs, based on a risk assessment and advice process. Advisers also assist clients in their claims process as well as any insurance administration requirements.
- Short-term administration platform: Our platform provides the full suite of insurance administration services as well as a comprehensive product offering to our advisers. This business unit only services our adviser network. We continually enhance our short-term administration platform by automating manual processes. We incorporate automated and other technologies to streamline processes and improve ease of doing business to deliver good client experience. These enhancements lift client satisfaction levels.
- Western: This is a non-life insurance group, with a focus on commercial insurance solutions and product offerings to the market through intermediated parties and partners. Western retains clients through exceptional service and makes use of technology to scale the business.

Gross written premium split (Rm)	2023	% change	2022	% change	2021
Short-term distribution	4 268	6	4 017	3	3 905
Western Group	1 919	15	1 675	4	1 604
Gross written premium (excluding short-term administration platform)	6 187	9	5 692	3	5 509
Short-term administration platform	1 609	12	1 441	9	1 321
Total gross written premium	7 796	9	7 133	4	6 830

Insure advisers – client premiums



PSG Insure's top risks and the associated mitigating actions

Risk	Mitigating action
Unsuitable advisory services provided to clients, for example, if advisers recommend inappropriate products	We schedule regular compliance reviews of PSG Insure adviser offices and offer recommendations and support as necessary through our Technical Advisory Services team. PSG Insure has a dedicated review panel to review and provide technical input on large and complex proposals.
Failure to comply with laws, regulations, codes of conduct and standards of good practice	PSG Konsult has a group legal and compliance department that monitors and reviews all legal and regulatory compliance aspects throughout the group.
Cyber risks can cause financial loss, disruption or reputational damage due to a failure or exploitation of our IT systems	We have extensive preventive controls in place, maintained and monitored by the group's IT department. We also have comprehensive cyber insurance cover in place.
A lack of profitable growth and poor risk selection by Western Group's risk pool could reduce profitability	Western Group has a diverse revenue composition, using a wide variety of intermediary parties combined with strategic underwriting partners to attract premium growth, which spreads the risk.
Large cost implications for Western Group of multiple catastrophe or high-frequency events, including the impact of reinstatements and increased replacement and repair costs	Western Group has comprehensive catastrophe reinsurance, limiting our exposure to catastrophe events. The reinsurance market is hardening due to higher levels of catastrophe claims. The robustness of Western's capital structure, to withstand adverse catastrophe events, is tested annually as part of our group ORSA process.
Low levels of economic growth result in less client income	Our advisers focus on client retention through ongoing communication contact and providing value-adds wherever possible. Overall client growth is a key strategic focus for PSG Insure.
Deterioration of public infrastructure	Western is constantly reviewing the risk and has responded by price or rate review, risk selection.
Potential of an electricity grid failure	In line with the rest of the non-life insurance industry, Western has excluded grid failure as an insurance peril from all its policies.

How PSG Insure supports the overall PSG Konsult strategy

Recurring revenues

PSG Insure focuses on organic growth and value-adding acquisitions. The division achieved gross premium growth of 9%.

Margin enhancing

PSG Insure focuses on revenue growth, quality underwriting, cost management, optimisation and increased margins. Where possible leverage from scale benefits achieved through growth and system optimisation.

Risk versus return

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

Western Group's comprehensive reinsurance cover mitigates against the impact of large claims.

Performance overview

Recurring headline earnings

↓4%	2023 R160.0 m	2022 R165.9 m	2021 R151.2 m

Gross written premium[1]

↑9%	2023 R6.19 bn	2022 R5.69 bn	2021 R5.51 bn

Core income

↑9%	2023 R2.4 bn	2022 R2.2 bn	2021 R2.2 bn

Operating margin

8.5%	2023 8.5%	2022 11.9%	2021 10.4%

Western Group underwriting margin

13.0%	2023 13.0%	2022 18.5%	2021 15.3%

PSG Insure adviser network

↓3%	2023 357	2022 368	2021 369

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

Despite a difficult claims environment, PSG Insure delivered resilient results due to quality underwriting practices and a comprehensive reinsurance programme.

The insurance industry worldwide, and particularly in South Africa, faces various challenges that increase clients' risks and result in higher claims, but which also underscore the necessity of insurance.

Climate change affects all insurance businesses, particularly in terms of the increase in frequency and severity of catastrophe events. This financial year saw catastrophic floods in KwaZulu-Natal in April and May 2022, as well as widespread flooding in February 2023 that affected seven of the country's nine provinces and led to a national state of disaster.

Increasing crime is another challenge, particularly in the motor vehicle and property lines of business. In addition, the dual impacts of inflation and supply shortages on input materials, such as motor vehicle parts, pose a challenge for our business in terms of increased costs and longer lead times.

Toward the latter half of the year, persistent load shedding led to increased claims because of power surges as well as the knock-on effects of power cuts on businesses and infrastructure.

These challenges – among other things – led to an increased frequency and severity of insured losses and strain on underwriting margins, compounded by increased reinsurance costs.

In this difficult environment, PSG Insure has continued to increase gross written premiums. The business gained market share without compromising underwriting margins, while optimising return on insurance float and shareholder investments.

Western Group's underwriting margin of 13.0% is exceptional and primarily due to meticulous underwriting and a focus on disciplined and sustainable growth.

In September 2022, Western Group was awarded the FIA Intermediary Experience Award for the best South African commercial non-life insurer.

This is a notable achievement, particularly since the voting process excluded PSG Konsult's own intermediaries, meaning it is a truly independent assessment of our business. The results show that independent advisers consider Western Group to be a reliable and consistent partner that understands their needs.

Effective 1 January 2023, Western Group also acquired Zenith For The Accomplished Proprietary Limited, an underwriting management agency specialising in high net worth products and commercial business.

PSG Insure completed the transition onto a new short-term insurance administration platform for all personal lines business. This platform reduces administration requirements and will allow advisers to perform multi-quoting instead of requesting quotes from each insurer individually. The new system is functioning well for the personal lines business, with the focus now shifting to the transfer of the commercial business.

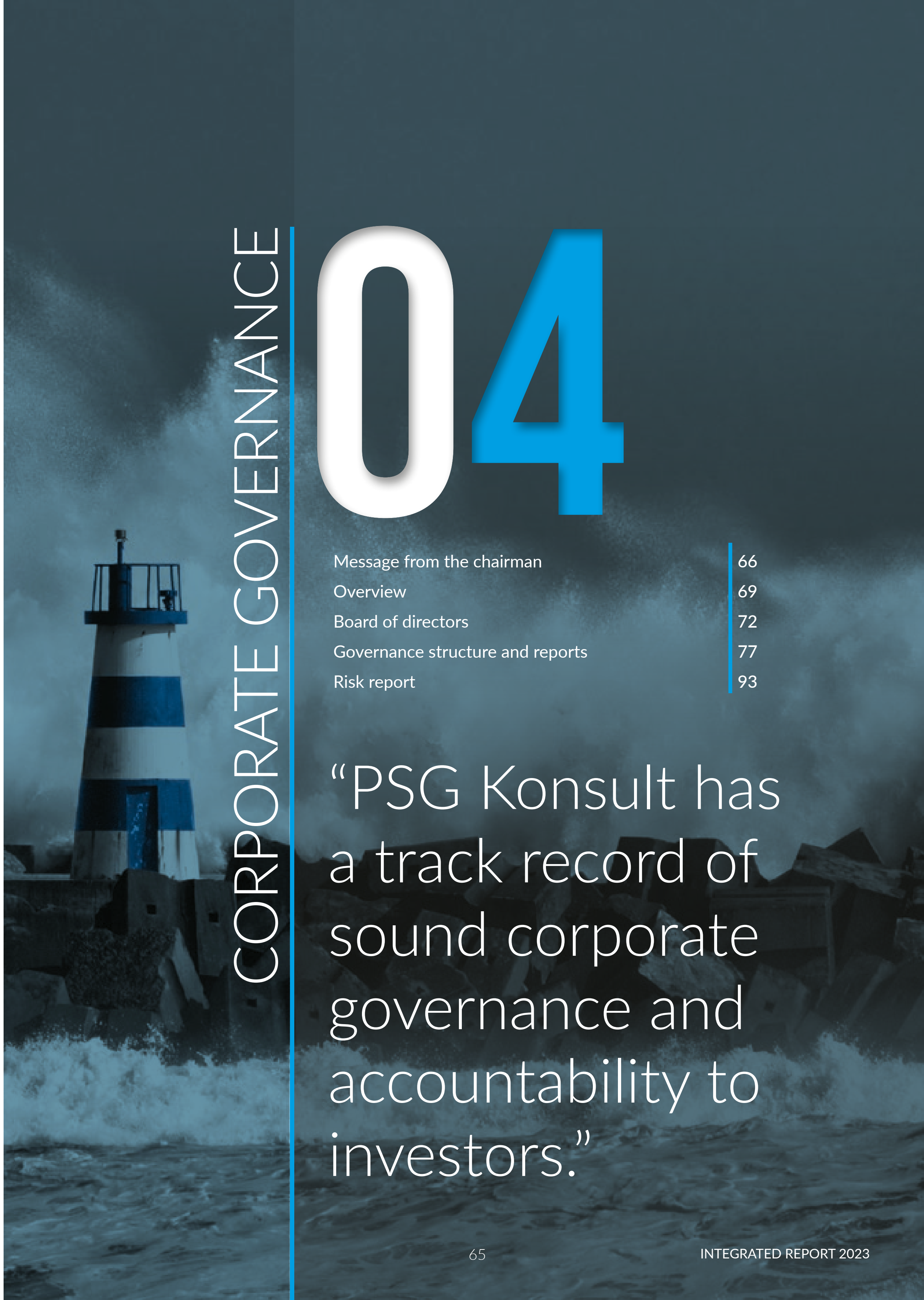
The successes of PSG Insure for the 2023 financial year are overwhelmingly thanks to the efforts of the business's employees and advisers.

The insurance industry requires specialised skills, which are in demand in a competitive environment. The fact that our business can retain such exceptional talent is an achievement in itself.

In the coming year, we will focus on achieving gross written premium growth despite the challenging economic environment in South Africa. However, growth should not come at the expense of profitability and PSG Insure leverages its competitive advantage of being close to our clients and advisers, to write quality business.

The nature of PSG Insure's business is to take on risk, but with the comfort that there will be higher returns than risk.

As indicated by our results, PSG Insure does this well. However, risks evolve and new risks emerge and effective underwriting is never static. Therefore, the business is currently undergoing a process of data clean-up to make sure our data insights are accurate and relevant. In the coming year, a focus will also be to review our underwriting practices and policies to ensure we further enhance the assessment and pricing of risk, resulting in more efficient and effective insurance coverage for our clients.



CORPORATE GOVERNANCE

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"PSG Konsult has a track record of sound corporate governance and accountability to investors."

Message from the chairman

Trading conditions globally and in South Africa have been tough. However, PSG Konsult's long-term focus, adaptability, and innovation ensure the sustainability and growth prospects of the business.

Willem Theron

Board focus areas in 2023

The PSG Konsult board's primary aim is to guide value creation for the group's clients, which results in value for employees and advisers and ultimately delivers sustainable returns to shareholders. With this goal in mind, the main areas of discussion and focus for the board this year were:

- Continued market volatility
- Risk and opportunity assessment
- Strategy review
- Talent attraction, retention and development
- Technology and cyber security

Continued market volatility

There are always variables in the global and local macroeconomic trends that impact PSG Konsult.

The start of the 2023 financial year saw some recovery from the fallout of COVID-19. However, South Africa was not spared the chaos affecting global financial markets in March 2023, as investors faced instability in the global financial system amid the fallout from the demise of Silicon Valley Bank in the United States and Credit Suisse in Europe. In addition, global trade disruptions, primarily caused by Russia's war in Ukraine, led to stagnant markets, which in turn put pressure on the group's fee income.

Locally, political and infrastructure failures impacted investor and consumer confidence, while certain large catastrophe events affected PSG Insure, although this impact was largely mitigated by Western's comprehensive reinsurance programme.

South Africa's greylisting by the Financial Action Task Force in February 2023 increases the administrative burden on financial services companies like PSG Konsult, by increasing requirements around sources of funding, which in turn increases costs and can result in delayed transactions. The board is comfortable that the group and its advisers are well equipped to adjust and steer our clients through the applicable changes. In addition, the group maintains good relationships with regulators and participates in discussions around changes in the regulatory environment.

Despite these tough market conditions, PSG Konsult delivered strong results. The group was able to grow assets under management as well as insurance premiums, meaning we attracted new clients across the board. The fact that even in turbulent times people relied on us for financial guidance, shows that our brand is trustworthy, and our advisers provide excellent service.

The board feels confident that PSG Konsult's well-established policies, procedures, and internal controls can handle unpredictable markets.

In volatile and difficult market conditions, clients, advisers and other stakeholders can take comfort in the fact that the group takes a long-term view and looks beyond the prevailing noise, while remaining adaptable enough to withstand changeable external factors.

Risk and opportunity assessment

Supported by the risk committee, the board takes a holistic view of risk within the group. We assessed potential risks and opportunities and weighed them against capital adequacy and profit, and will continue to do so.

Part of the group's commitment to sustainable growth, integrated risk management and robust governance includes keeping abreast of emerging risks, including climate change.

We have committed to a long-term process to assess the impacts of climate change on our business, particularly for PSG Insure, as well as the opportunities that come with climate stewardship, particularly for PSG Asset Management.

Strategy review

Part of the group's competitive advantage is that the strategy has been relatively consistent for several years, and has reliably delivered superior shareholder returns.

Nevertheless, the board continues, where necessary, to reassess the strategy and capital allocation decisions. Executive management presented a three-year strategic view to the board, and we are satisfied that the strategy remains relevant.

Talent attraction, retention and development

The financial services industry requires specialised and scarce skills. As a board, we examined the group's succession plans and the measures in place to attract, retain and develop our precious human capital.

PSG Konsult attracts talent through appealing employee and adviser value propositions, and invests in competitive remuneration to retain employees. Importantly, the group actively builds our own talent pipeline through employee and adviser graduate and bursary programmes. These programmes encourage talented young South Africans to seek careers in the financial services industry and add to our pool of quality employees and advisers. The group also invests in training programmes that cover technical subjects, systems, leadership and managerial skills.

It has been gratifying over the years to see many of the graduates rise through the ranks at PSG Konsult and contribute to the success of the business.

Technology and cyber security

PSG Konsult continued to invest in technology, including the enhancement of current functionality and the addition of new capabilities. This is to support both our internal systems and our external service offerings, using leading-edge technology. Additionally, the group continued to invest in measures to maintain and improve cyber security. This includes regulatory compliance, network security, client data protection, response plans, and employee and adviser training and awareness.

These are significant investments that warrant robust board oversight. The board spent time familiarising ourselves with the available technologies, and the group's cyber security policies and plans, to ensure we provide sufficient oversight of their implementation.

We believe that the group is using appropriate technologies to differentiate its offering, and implementing all necessary measures and using state-of-the-art technologies to combat cyber crime and safeguard our clients' data.

Board developments

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

We encourage a diversity of views in the board because we believe that debate and in-depth enquiries pre-empt and mitigate risk. The nominations committee evaluates the group's performance in this regard and is focused on diversity of race, age, skill and independence.

Mr Jaap de Vos du Toit retired by rotation at the 2022 AGM and Ms Tamara Esau-Isaacs stepped down from the board, on 1 March 2023, to pursue other opportunities. Jaap co-founded PSG Konsult and was an independent non-executive director since 1998. His contributions, particularly as the chairman of the board until 2013 and subsequently the lead independent director have been invaluable. Tamara joined the PSG Konsult board as independent non-executive director in 2020. The board and I would like to thank the outgoing members for their positive contribution to the group.

Ms Bridgitte Mathews and Ms Modi Hlobo were appointed as independent non-executive directors and as members of the audit, risk and social and ethics committees with effect from 1 March 2023. Both new directors are chartered accountants with extensive experience in financial services, and both served on the board of PSG Group Limited, among others. We believe that their appointments enhance the overall diversity credentials and skill set of the board. They have completed a comprehensive induction programme. On behalf of the board, I would like to extend a warm welcome to the incoming directors; we look forward to their contributions.

In addition, Mr Andile Sangqu requested to step down as lead independent director to balance his workload, but will remain an independent non-executive director. Consequently, Ms Zodwa Matsau was appointed as lead independent non-executive director.

To further enhance the capabilities of the board, directors received training from external subject matter experts on IFRS 17 – Insurance Contracts.

At executive management level, we welcomed Cedric Masondo as the CEO of PSG Insure in July 2022, and Janine van Aswegen as chief marketing officer. The board looks forward to long and productive working relationships with them both.

Outlook and appreciation

The overall political and economic operating environment will remain volatile, and the regulatory landscape – particularly related to insurance – will continue to take up time and resources.

However, I have no doubt that PSG Konsult will continue to successfully navigate this environment, and that we have the best people in place to assist our clients to do so as well. In a year of uncertainty, our employees delivered sterling work and our advisers remained committed to a supportive journey with their clients. I would like to thank them for exceeding expectations in this regard. We prize trusted, long-standing relationships with clients, and we thank them for their loyalty.

Thanks are also due to the management team for their guidance and stability, which contribute significantly to good governance. Also, to the board, who are willing to be critical, to ask pertinent questions and to support management.

On behalf of the group, I would also like to express our appreciation to PSG Group for being a supportive shareholder of reference for so many years. We have gained many new shareholders in 2023, and we appreciate their continued support.

I am confident in the ability of PSG Konsult to weather the storm if the new financial year proves to be as challenging as 2023. In fact, I am excited for future prospects. The cash-generative nature of the business gives the group a strong base for growth initiatives and opportunities to optimise risk-adjusted returns for shareholders.

Willem Theron
Chairman

Overview

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

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

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

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

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

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

Governance milestones and focus areas for the 2023 financial year

King IV alignment

The board ensures continued alignment of governance practices with King IV recommendations by reviewing the board charters, committee terms of references and policies.

Regulatory and legislative compliance

PSG Konsult is the controlling company of the PSG Konsult Insurance group. The 2023 reviews confirmed that the charters, terms of reference and policies remain relevant and aligned with company's memorandum of incorporation, relevant legislation, King IV recommendations and the Prudential Standards.

Oversight of ethics

The board completed annual monitoring of the group's ethical conduct standards by reviewing the code of ethical conduct in line with King IV recommendations. Details can be found on page 70.

ESG matters

While the operational nature of the business has a relatively low direct environmental impact, management have committed to building a better understanding of climate-related risks and opportunities, and to improve disclosure thereof. The board has delegated to the risk committee responsibility for identifying climate-related risks and opportunities. Climate-specific risks were included as an emerging risk in the company's 2022 ORSA report. More detail can be found from page 50.

Board assessment

The board conducted an annual independence assessment on non-executive directors' continued independence.

Annual fit and proper questionnaires were completed by directors and relevant senior officers in compliance with the Prudential Standards.

Details can be found on pages 75 and 76.

Remuneration

We completed an annual review of the group's remuneration policy and framework, including meeting the JSE's requirements for shareholder engagement and voting on the remuneration policy and implementation report of the group. The remuneration policy and implementation report achieved favourable non-binding advisory votes of 93.9% and 93.9% respectively at the AGM held on 11 July 2022.

Refer to our remuneration report from page 99.

Creating an ethical culture

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

Code of ethical conduct

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

Ethical culture
Good performance
Effective control
Legitimacy

In line with King IV, the social and ethics committee regularly reviews the code of ethical conduct (the code). This code serves to among other things:

- Outline the group's ethical commitment to stakeholders
- Guide the group's conduct and relationships with key stakeholders (including clients)
- Ensure the group is led not only effectively, but ethically

Scope of the code

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

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

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

Ethical governance outcomes and values

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

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

Fraud and corruption

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

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

Each director submits a declaration of financial, economic and other interests in related parties at least annually, or whenever there are significant changes in such interests.

Directors also disclose their personal financial interests at the start of every board or committee meeting. Disclosure of related-party relationships and transactions is provided in note 33 of the annual financial statements.

Dealing in shares

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

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

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

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

Board of directors

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

Willem Theron (71)

Non-executive director and chairman

Qualifications: BCompt (Hons), CA(SA)

Date of appointment: 1 March 1998

Committees: Chairperson of the nominations committee

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

Patrick Ernest Burton (70)

Independent non-executive director

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

Date of appointment: 2 March 2014

Committees: Chairperson of the audit and risk committees and member of the remuneration and nominations committees

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

Zitulele Luke Combi (KK) (71)

Independent non-executive director

Qualifications: Diploma in Public Relations

Date of appointment: 16 April 2014

Committees: Member of the audit, risk and nominations committees

KK was given the Ernst & Young South African Best Entrepreneur of the Year award in 2000 and the World Entrepreneur of the Year in Managing Change award in 2001. KK is a member of the Institute of Directors in South Africa and serves on the boards of various listed and unlisted companies. KK was previously chairman of PSG Group Limited and executive chairman of Thembeka Capital (RF) Limited.

Anna Modi Hlobo (Modi) (46)

Independent non-executive director

Qualifications: CA(SA), PhD (Accounting)

Date of appointment: 1 March 2023 (subject to approval from the Prudential Authority of the South African Reserve Bank)

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

Modi is a chartered accountant with PhD (Accounting). Modi has private equity and investment banking experience. She is a senior lecturer in financial management at the University of Johannesburg. Her previous employment included positions at the Development Bank of South Africa and ABSA Group Limited. Modi also served on numerous boards, including the board of PSG Group Limited.

Bridgitte Mathews (53)

Independent non-executive director

Qualifications: CA(SA), Dip Advanced Taxation

Date of appointment: 1 March 2023 (subject to approval from the Prudential Authority of the South African Reserve Bank)

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

Bridgitte is a chartered accountant with a postgraduate certificate in advanced taxation from the University of South Africa. She served on various boards, including PSG Group Limited and Redefine Properties Limited. Bridgitte currently serves on the board of Metair Investments Limited and the board of trustees of WAT Trust.

Zodwa Reshoketsoe Pearl Matsau (67)

Lead independent non-executive director

Qualifications: MPhil Economics, BA Economics

Date of appointment: 20 July 2017

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

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

Petrus Johannes Mouton (Piet) (46)

Independent non-executive director

Qualifications: BCom (Mathematics)

Date of appointment: 6 December 2012

Committees: Chairperson of the remuneration and member of the nominations committee

Piet serves as a non-executive director on various boards including Curro Holdings, PSG Group, Capitec and Zeder Investments. Piet retired as the CEO of PSG Group upon its delisting from the JSE during September 2022. He has been active in the investment and financial services industry since 1999.

Andile Hesperus Sangqu (56)

Independent non-executive director

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

Date of appointment: 1 January 2020

Committees: Member of the audit and risk committees

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

Francois Johannes Gouws (58)

Chief executive officer

Qualifications: BAcc, CA(SA)

Date of appointment: 1 March 2013

Committees: Member of the social and ethics committee

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

Michael Ian Frain Smith (Mike) (55)

Chief financial officer

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

Date of appointment: 18 July 2013

Committees: Member of the risk committee

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

Board responsibility and composition

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

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

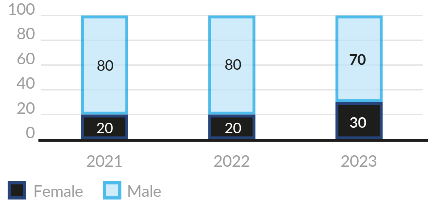
The board is ultimately accountable for the effective governance and direction of the group. This requires the board to consist of an appropriate number and combination of individuals with an adequate level of knowledge, skills and expertise commensurate with the scale and complexity of the business. PSG Konsult has adopted a broader diversity policy at board level, as contemplated in paragraph 3.84(i) of the JSE Listings Requirements, and has agreed on voluntary targets. There is also a clear division of responsibilities at board level. The board is satisfied that its composition reflects an appropriate mix of knowledge, skills, experience, diversity and independence. The board is assisted by the nominations committee regarding composition and succession planning.

To ensure continued skills development, the board received refresher training on the Protection of Personal Information Act. The board is further supported by appropriate internal governance practices and procedures that promote an efficient, objective and independent decision-making culture, considering the interests of all stakeholders.

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

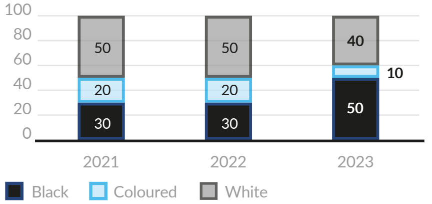
Board composition over three years[1]

Gender (%)



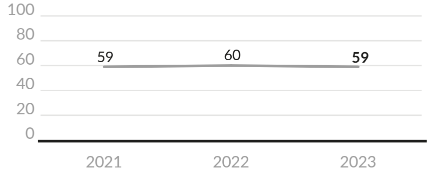
The board's aim is to ensure that at least 20% of the board consists of female directors. With the anticipated appointment of two female board members in March 2023, the board will exceed its gender target.

Race (%)



The board's aim is to ensure that at least 33.3% of the board consists of directors who are "black people" as defined in the Broad-Based Black Economic Empowerment Act, 2003, as amended. The board currently consists of 60% of directors so defined.

Average age (%)



The board's aim is to ensure that the average age of board members is below 67 years. The current average age of the board is 59 years.

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[1] *The board composition percentages for 2023 are subsequent to the changes to the board effective 1 March 2023. Refer to page 75 for further detail.*

Determination of independence of board members

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

The board is confident that its members apply an independent state of mind and objective judgement in their respective roles, including the continued independence of those having served longer than nine years. The board is satisfied that the majority of the directors are independent non-executive directors. The individual statuses of the directors are recorded in their respective profiles on pages 72 and 73.

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

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

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

Appointment process

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

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

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

Changes to the composition of the board of directors

The board is pleased with the appointment of Modi Hlobo and Bridgitte Mathews as independent non-executive directors, subject to the approval of the Prudential Authority of the South African Reserve Bank.

These appointments are in line with the board's aim to achieve broad diversity by enhancing its composition to reflect the appropriate mix of gender, race, culture, age, knowledge, skill and experience and the appropriate balance of executive, non-executive and independent directors.

Tamara Esau-Isaacs has resigned from the board of directors with effect from 1 March 2023.

Jaap du Toit's retirement as independent non-executive director of the group was effective on 11 July 2022.

The board would like to thank Tamara and Jaap for their positive contributions to the company.

Andile Sangqu stepped down as lead independent non-executive director with effect from 1 March 2023 however remains an independent non-executive director. Consequently, Zodwa Matsau was appointed lead independent non-executive director.

Changes to board committee composition

As previously reported and in line with succession planning and broader diversity, as overseen by the nominations committee, the board approved the following committee membership changes with effect from 1 March 2023. These changes were communicated via SENS and SEM on 17 February 2023:

- KK Combi stepped down as chairperson of the remuneration committee.
- Piet Mouton was appointed chairperson of the remuneration committee.
- Zodwa Matsau was appointed as a member remuneration committee.
- Patrick Burton stepped down as a member of the social and ethics committee.

Board evaluation

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

During 2023, the board participated in a performance evaluation, as an integral part of the group's commitment to adopt best corporate governance practices. The objectives were twofold:

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

The scope of the evaluation included:

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

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

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

The evaluation found no significant matters or material concerns in respect of the board and board committees' performance, and the board is satisfied with the performance of its members. The performance of all directors standing for re-election at the AGM in July 2023 has been considered by the board, and their re-election is supported.

Governance structure and reports

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

Governance framework and approach

The outcomes of this approach can be summarised as follows:

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

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

The roles of the chairperson and lead independent director

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

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

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

Willem Theron fulfils the role of non-executive chairperson but is not classified as independent in terms of King IV, read with the JSE Listings Requirements.

Zodwa Matsau serves as lead independent director of PSG Konsult. The function of the lead independent director is to provide advice to the board, without detracting from the authority of the chairperson, when the chairperson has a conflict of interest. She also leads in the absence of the chairperson, serves as a sounding board for the chairperson and acts as an intermediary between the chairperson and other members of the board, if necessary. According to the board charter, the lead independent director conducts the performance appraisal of the chairperson and chairs any board meetings that deal with the succession of the chairperson.

Chief executive officer

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

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

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

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

Company secretary

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

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

The board is satisfied that the arrangement for accessing the company secretary is effective. Through discussion and assessment, the board has reviewed the qualifications, experience and competence of the individuals employed by the company secretary. The board has also noted that the company secretary performed all formalities and substantive duties timeously and appropriately.

There is an arm's length relationship between the board and the company secretary so that the objectivity and independence of the company secretary is not unduly influenced.

The certificate that the company secretary, represented by Shameemah Hamit, is required to issue in terms of section 88(2)(e) of the Companies Act is on page 119 of this integrated report.

Governance structure

Board of directors

The PSG Konsult board consists of 10 members, eight of whom are non-executive directors and, of those, seven are independent non-executive directors.

Meets: Quarterly

PSG Wealth board

PSG Asset Management board

PSG Insure board

PSG Distribution Holdings board

- The divisional boards meet quarterly or bi-annually
- Each division also has compliance, risk and legal committees and the divisions also hold quarterly review meetings

CEO

Manco

Members:
- Group CEO[1]
- Group CFO
- Group COO
- Group chief risk officer (CRO)
- Group chief information officer (CIO)
- Divisional CEOs

Meets: Weekly

Exco

Members:
- Group CEO[1]
- Group CFO
- Group COO
- Divisional CEOs
- Group chief legal and compliance officer
- Group CRO
- Group chief HR officer
- Group head of internal audit
- Group CIO
- Group chief marketing officer
- Group company secretary
- Invitee: group chairperson and group head of public policy and regulatory affairs

Meets: Quarterly

Board committees

The board is supported in its duties by five committees, each with formal terms of reference. Refer to the board profiles on pages 72 and 73 for the qualifications and experience of members.

Operational committees

Operating committee

Group COO[1], group support function heads and COOs of the divisions

Meets: Monthly

Credit committee

Group CRO[1], select group and divisional executive management

Meets: Monthly

Investment committee

Group CEO[1], select group and divisional executive management

Meets: Quarterly

Customer service review committee

Group head of internal audit[1], select group executive management

Meets: Quarterly

Legislation committee

Group head of public policy and regulatory affairs[1], Group COO, select group and divisional executive management

Meets: Monthly

Board committees

Audit committee

Independent non-executive director[1], a further five independent non-executive directors, internal and external auditors, Exco members by invitation

Meets: Bi-annually

Risk committee

Independent non-executive director[1], a further five independent non-executive directors, one executive director, Exco members by invitation

Meets: Bi-annually

Social and ethics committee

Independent non-executive director[1], a further two independent non-executive directors, two executives, Exco members by invitation

Meets: Bi-annually

Remuneration committee

Independent non-executive director[1], a further two independent non-executive directors, group CEO by invitation

Meets: Annually

Nominations committee

Non-executive director[1], a further three independent non-executive directors, group CEO by invitation

Meets: Annually

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[1] *Chairs the committee.*

Board committees

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

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

The effectiveness of each board committee was evaluated taking into account the following criteria:

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

The board was satisfied with the performance of each of its committees as well as the progress on focus areas, as detailed below.

Board and committee meeting attendance summary

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

[1] *The board and the audit committee also met with the Prudential Authority and the Financial Sector Conduct Authority during the year as part of their annual supervisory programme.*

[2] *J de V du Toit retired from the board effective 11 July 2022.*

Audit committee

Membership

The audit committee is a formally constituted committee of the board. Committee members are appointed by the shareholders to assist the board with its corporate governance oversight duties. The committee operates independently of management and acts in accordance with its statutory duties as documented in its terms of reference, which are reviewed and approved annually by the board. The committee comprises six independent non-executive directors whose collective relevant qualifications and experience are assessed by the nominations committee prior to their appointment by shareholders. Members are elected or re-elected, by the shareholders at each AGM and the current members are:

- Patrick Burton – chairperson
- KK Combi
- Zodwa Matsau
- Andile Sangqu
- Bridgitte Mathews – appointed 1 March 2023 subject to approval by the Prudential Authority
- Modi Hlobo – appointed 1 March 2023 subject to approval by the Prudential Authority

The group CEO, group CFO, group internal auditor and the external auditor attend meetings of the committee by invitation. The committee also holds confidential meetings excluding management, with the internal and external auditors as required. The external and internal auditors have unrestricted access to the members of the committee.

Key focus areas

During the reporting period, the committee performed its duties as detailed in its terms of reference, and specifically attended to the following:

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

Committee evaluation

Self-evaluation

Scope:

- Reviewing the expertise, resources and experience of the group's finance function
- Reviewing the effectiveness of the company's assurance functions and services
- Evaluating the chief audit executive and effectiveness of internal audit arrangements
- Assessing the independence and suitability of the external auditor in accordance with King IV, the JSE Listings Requirements and the Companies Act
- Making appropriate recommendations to the board concerning any fraud, illegal acts, deficiency in external financial controls or other similar issues that could significantly impact the financial reporting of the business
- Reviewing the group tax policy
- Reviewing the internal audit charter
- Committee composition
- Meeting preparation and efficacy
- Assessing the competency of the chairperson to lead the committee effectively
- Self-evaluation of all committee members in fulfilling their duties
- Evaluation of fellow committee members' skills, experience and fulfilment of their duties

The committee is satisfied that the evaluation process is improving its performance and effectiveness.

Future focus

Along with the board's evaluation of its effectiveness and its adopted annual work, the following focus areas for the future were identified:

- Ensuring that all members of the committee have current technical knowledge of accounting standards through updates from management, the external auditor and other external sources
- Overseeing the business's robust control environment and strong financial position and ensuring they are maintained
- Ensuring the business is adequately prepared for the impact of IFRS 17

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

Risk committee

Membership

The risk committee is a formally constituted committee of the board. The committee operates in terms of the delegated authority of the board as recorded in its terms of reference which are reviewed and approved annually by the board. The committee comprises seven members including both executive and non-executive directors, the majority of which are independent non-executive directors.

The members of the committee and its chairperson are appointed by the board and the current members are:

- Patrick Burton – chairperson
- KK Combi
- Zodwa Matsau
- Andile Sangqu
- Bridgitte Mathews – appointed 1 March 2023 subject to approval by the Prudential Authority
- Modi Hlobo – appointed 1 March 2023 subject to approval by the Prudential Authority
- Mike Smith

The group CEO, group internal auditor, group chief risk officer and the group chief legal and compliance officer attend meetings of the committee by invitation. The committee also holds confidential meetings excluding management as required.

Key focus areas

During the reporting period, the committee performed its duties as detailed within its terms of reference, and specifically attended to the following:

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

Committee evaluation

Self-evaluation

Scope:

- Ensuring committee members meet the fit and proper requirements as stipulated by the company's fit and proper policy
- Overseeing the reporting of compliance with laws, codes, rules and standards
- Reviewing the ORSA process of the business to support the board in its overall responsibility to assess its risk management framework as well as the solvency requirements of the business
- Committee composition
- Meeting preparation and efficacy
- Assessing the competency of the chairperson to lead the committee effectively
- Self-evaluation of all committee members in fulfilling their duties
- Evaluation of fellow committee members' skills, experience and fulfilment of their duties

The committee is satisfied that the evaluation process is improving its performance and effectiveness.

Future focus

Along with the board's evaluation of its effectiveness and its adopted annual work, the following focus areas for the future were identified:

- Impact of new and emerging risks, including pandemics, emigration and technology changes
- Continued oversight and evaluation of the group's technology and information policy, environment and governance to ensure these are appropriate, aligned and support the strategy and risk appetite of the group
- Proactive response and adoption of regulatory change
- Identification, monitoring and disclosure of climate-related risks

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

Social and ethics committee

Membership

The social and ethics committee is a formally constituted committee of the board. The committee operates in terms of the delegated authority of the board as recorded in its terms of reference which are reviewed and approved annually by the board. The committee comprises five members including both executive and non-executive directors, of which the majority are independent, non-executive directors.

The members of the committee and its chairperson are appointed by the board and the current members are:

- Zodwa Matsau – chairperson
- Bridgitte Mathews – appointed 1 March 2023 subject to approval by the Prudential Authority
- Modi Hlobo – appointed 1 March 2023 subject to approval by the Prudential Authority
- Francois Gouws
- Janine Johannes – appointed 1 March 2023

The changes to the composition of the committee during the financial year can be found on page 76.

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

Key focus areas

During the reporting period, the committee performed its duties as detailed within its terms of reference, and specifically attended to the following:

- Monitoring the group's sustainability and transformation activities, organisational ethics, responsible corporate citizenship, stakeholder relationships, and the ethical conduct of employees
- Monitoring all TCF outcomes reported to this committee
- Annually reviewing the group's Employment Equity Plan
- Reviewing and recommending the code of ethical conduct, which can be found on page 70, to the board for approval
- Annually reviewing its terms of reference and recommending amendments to the board for approval
- Evaluating the effectiveness of the CSRC, the main purpose of which is to monitor the group's service levels and TCF outcomes in relation to customer service
- Approving and annually reviewing the CSRC terms of reference
- Conducting a self-evaluation every two years, which includes evaluating the chairperson and fellow members
- Implementing any actions following the board's evaluation of its effectiveness

Committee evaluation

Self-evaluation

Scope:

- Overseeing and evaluating the implementation of the code of ethical conduct
- Monitoring the group's activities and reports in respect of, inter alia:
  - The Employment Equity Act
  - The Broad-Based Black Economic Empowerment Act
  - Health and public safety
  - Labour and employment: the group's employment relationships and its contribution to the educational development of its employees
- Committee composition
- Meeting preparation and efficacy
- Assessing the competency of the chairperson to lead the committee effectively
- Self-evaluation of all committee members in fulfilling their duties
- Evaluation of fellow committee members' skills, experience and fulfilment of their duties

The committee is satisfied that the evaluation process is improving its performance and effectiveness.

Future focus

Along with the board's evaluation of its effectiveness and its adopted annual work plan, the following focus areas for the future were identified:

- Continuing to focus on transformation and young talent development across the business and adviser offices
- Ensuring that client-centricity forms a cornerstone in the way the business is managed
- Improving ESG reporting aspects in the interests of investors and stakeholders

Remuneration committee

Membership

The remuneration committee is a formally constituted committee of the board. The committee operates in terms of the delegated authority of the board as recorded in its terms of reference which are reviewed and approved annually by the board. The committee comprises three independent non-executive directors.

The members of the committee and its chairperson are appointed by the board and the current members are:

- Piet Mouton – chairperson
- Patrick Burton
- Zodwa Matsau

The changes to the composition of the committee during the financial year can be found on page 76.

Key focus areas

During the reporting period, the committee performed its duties as detailed within its terms of reference, and specifically attended to the following:

- Developing and implementing fair remuneration practices aligned with the group's strategy and long-term interests
- Annual review of the remuneration policy and practices to ensure that the group's remuneration policy is applied consistently
- Serving as the Remco for the PSG Konsult group and for its insurance licensed entities
- Ensuring the remuneration policy and implementation report are tabled every year for separate non-binding advisory votes by shareholders at the AGM
- Reviewing and recommending to the board the remuneration for the CEO, senior executives and managers who report directly to the CEO, other material risk takers and the heads of the control functions (other than the head of the internal audit function, whose remuneration will be evaluated by the audit committee) ensuring that the remuneration is fair and responsible in the context of overall employee remuneration
- Recommending how the group's NEDs must be remunerated to the board, for final approval by the shareholders at the AGM
- Reviewing its terms of reference and recommending amendments to the board for approval
- Conducting a self-evaluation annually in line with regulatory requirements, which includes evaluating the chairperson and fellow members
- Implementing any actions following the board's evaluation of its effectiveness

Committee evaluation

Self-evaluation

Scope:

- Overseeing the implementation and execution of the company's remuneration policy and compliance with the Prudential Standards
- Making annual recommendations to the board of PSG Konsult Limited on the remuneration of the heads of control functions (other than internal audit) the CEO, senior executives and managers who report directly to the CEO and other material risk takers
- Preparing an annual remuneration report, in accordance with King IV and the JSE Listings Requirements
- Facilitating engagement with shareholders of the company who voted against the remuneration implementation report and/or remuneration policy, if any (only applicable where 25% or more of the votes exercised voted against the report or policy)
- Considering the recommendations made by senior management on the remuneration of non-executive directors, for final approval by the shareholders at the AGM
- Committee composition
- Meeting the requirements as stipulated by the company's fit and proper policy
- Meeting preparation and efficacy
- Assessing the competency of the chairperson to lead the committee effectively
- Self-evaluation of all committee members in fulfilling their duties
- Evaluation of fellow committee members' skills, experience and fulfilment of their duties

The committee is satisfied that the evaluation process is improving its performance and effectiveness.

Future focus

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

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

Nominations committee

Membership

The nominations committee is a formally constituted committee of the board. The committee operates in terms of the delegated authority of the board as recorded in its terms of reference which are reviewed and approved annually by the board. The committee comprises four members who are non-executive directors, of which the majority are independent non-executive directors.

The members of the committee and its chairperson are appointed by the board and the current members are:

- Willem Theron – chairperson
- KK Combi
- Patrick Burton
- Piet Mouton

The changes to the composition of the committee during the financial year can be found on page 76.

Key focus areas

During the reporting period, the committee performed its duties as detailed within its terms of reference, and specifically attended to the following:

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

The nominations committee also:

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

Committee evaluation

Self-evaluation

Scope:

- Recommending the appointment of additional board sub-committee members to the board in line with approved succession planning and broader diversity policy
- Overseeing succession planning of key subsidiaries with the group, with a specific focus on insurance licensed entities
- Recommending to the boards of the insurance licensed entities the appointment of additional board and sub-committee members, subject to regulatory approval, in line with approved succession planning and enhancing broader diversity

The committee is satisfied that the evaluation process is improving its performance and effectiveness.

Future focus

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

- Continued review of succession planning
- Continued focus on broader diversity

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

Operational committees

Executive committee

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

This involves:

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

The board evaluated the effectiveness of the committee during 2023 and was satisfied with its performance and progress on focus areas. The scope of the evaluation included:

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

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

Operating committee

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

The Exco evaluated the effectiveness of the committee during October 2022 and was satisfied with its performance. The scope of the evaluation included:

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

There were no areas of improvement identified.

Credit committee

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

The Exco evaluated the effectiveness of the committee during October 2022 and was satisfied with its performance. The scope of the evaluation included:

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

There were no areas of improvement identified.

Investment committee

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

The Exco evaluated the effectiveness of the committee during October 2022 and was satisfied with its performance. The scope of the evaluation included:

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

There were no areas of improvement identified.

Customer service review committee

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

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

The social and ethics committee evaluated the effectiveness of the committee during October 2022 and was satisfied with its performance. The scope of the evaluation included:

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

There were no areas of improvement identified.

Legislation committee

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

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

Internal control and compliance processes

Internal audit

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

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

Objectives

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

Scope

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

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

Functions

- Evaluating risk exposure relating to achievement of the organisation's strategic objectives
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify and report such information
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organisation
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets
- Evaluating the effectiveness and efficiency with which resources are employed
- Evaluating operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned
- Monitoring and evaluating governance processes
- Monitoring and evaluating the effectiveness of the organisation's risk management processes
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organisation
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the board
- Evaluating specific operations at the request of the board or Exco, as appropriate

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

Independence of internal audit

In line with King IV recommendations, the group head of internal audit confirms to the board, at least annually, the organisational independence of the internal audit activity.

The internal audit activity complies with the Institute of Internal Auditors' Code of Ethics.

Increased control framework

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

These responsibilities relate to:

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

Compliance and legal

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

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

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

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

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

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

i) complied with the provisions of the Companies Act of South Africa; and

ii) operated in accordance with its MOI,

during the current year.

Financial reporting

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

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

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

Information technology governance

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

Overview

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

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

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

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

Responsibilities

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

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

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

- Aligning technology and information with the performance and sustainability objectives of the group
- Delegating the responsibility for implementation of the technology and information policy to management
- Monitoring and evaluating significant technology and information investments and expenditure
- Managing the integration of technology and information risks into organisation-wide risk management
- Ensuring information assets are managed effectively
- Monitoring proactively to identify and respond to incidents, including cyber-attacks and adverse social media events
- Ensuring arrangements are in place to provide for business resilience and continuity
- Managing the performance of, and the risks pertaining to, third-party and outsourced service providers
- Assessing the value delivered to the organisation through significant investments in technology and information, including the evaluation of projects throughout their life cycles, and of significant operational expenditure
- Ensuring the responsible disposal of obsolete technology and information, considering environmental impact and information security
- Leveraging information to sustain and enhance the group's intellectual capital
- Ensuring the ethical and responsible use of technology and information

- Providing information architecture that supports confidentiality, integrity and availability of information
- Ensuring compliance with relevant laws
- Continually monitoring security of information
- Ensuring the protection of privacy of personal information
- Providing technology architecture that enables the achievement of strategic and operational objectives of the group
- Managing the risks pertaining to the sourcing of technology
- Monitoring and providing appropriate responses to developments in technology, including the capture of potential opportunities and the management of disruptive effects on the group and its business model

Key developments

- We are continuing on our multi-year strategy to provide clients and intermediaries quality information and access through architecting and building a cloud-based enterprise data warehouse
- We are enhancing and gearing our key systems to move to the cloud environment
- We continue to strengthen our cyber security capabilities, and have significantly advanced our adviser offices' cyber security posture
- Key focus on cyber security awareness programmes aimed at training and enhancing knowledge for our staff and clients
- We continue to invest in scalable technology in an ever-changing technological world

Future priorities

Future priorities for IT delivery and focus include continuing our journey to migrate our key services and systems to cloud, building a modern channel and mobile capability to augment our website.

We have a strong focus on maturing our software engineering capabilities and achieving a highly scalable business. We continue to improve and modernise our core practice management tool for stability, scalability and digital self-service.

Cyber security remains top of mind and will remain a priority for the whole of the business.

Risk report

PSG Konsult operates at acceptable risk levels and maintains a strong capital position.

As reported before, we continued to manage the challenging operating, regulatory and economic environment. Our focus to manage the most significant risks impacting the business, mitigate undue risks and volatile risk contributors, and understand and respond to emerging risks, ensured that we operated at acceptable residual risk levels.

Overview

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

- Maintaining adequate cash resources to execute our strategy, making value-enhancing investments and growing sustainably to benefit all stakeholders (especially clients, shareholders and employees)
- Honouring its core values and business principles in all activities it undertakes
- Maintaining good relationships with all its regulators

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

- Recurring revenues (which lead to enhanced sustainable earnings)
- Sustainable margins (to ensure an acceptable return on capital is earned)
- Risk vs return (to maximise every rand earned relative to an acceptable unit of risk)
- Client-centricity (to place clients at the centre of everything we do)
- Capital management (to ensure business sustainability and resilience through any eventuality)

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

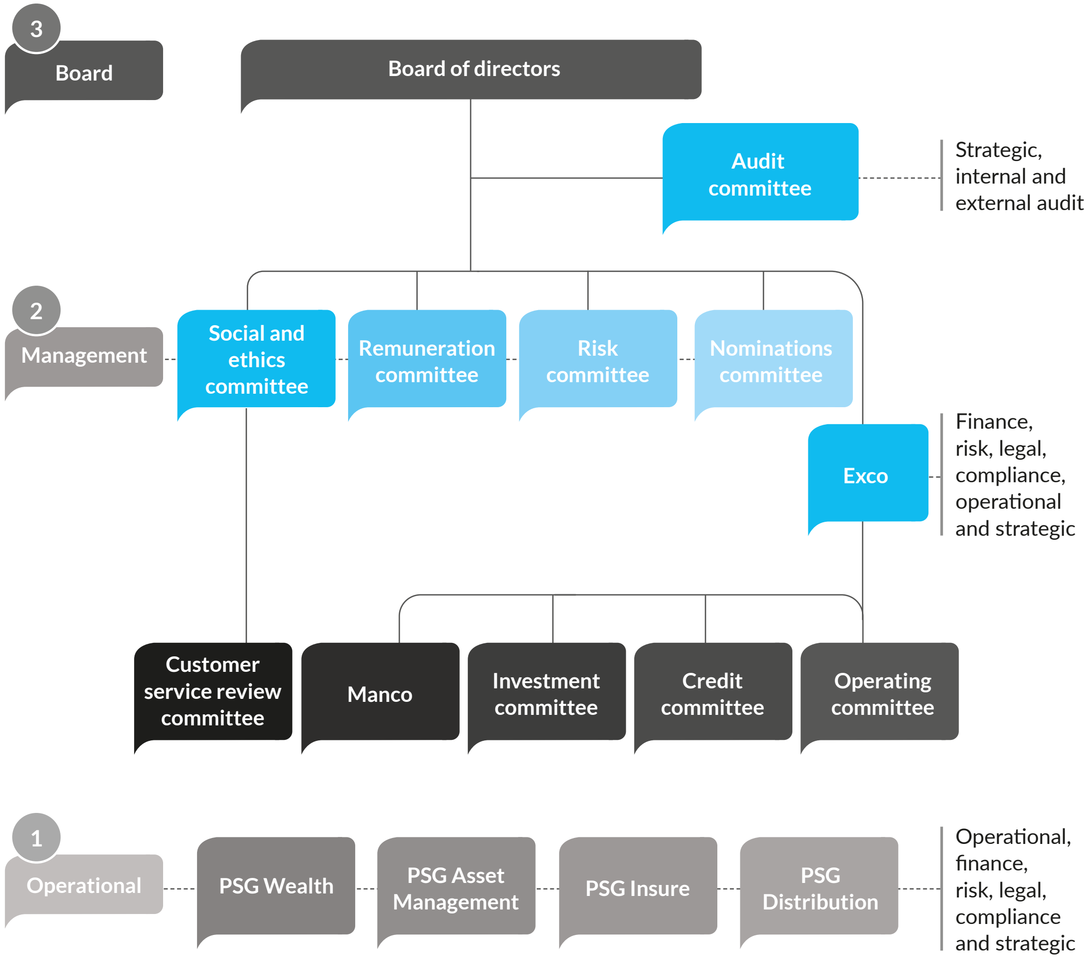
Components of this framework include:

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

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

Three layers of defence approach

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



1 First layer of defence	Operational management is responsible for identifying risks and weaknesses and for developing and implementing policies, procedures and controls to address, manage and reduce these risks and weaknesses to acceptable levels.
2 Second layer of defence	Finance, risk, legal and compliance employees may assist management to implement policies, procedures and controls, but they are mainly responsible for providing advice and oversight to ensure that policies are applied. The level-two employees report directly to the relevant heads of finance, risk, legal and compliance.
3 Third layer of defence	Internal and external audit are responsible for evaluating, testing and giving assurance to the board and management on the effectiveness of these policies, procedures and controls.

Reflecting on 2023

PSG Konsult again adequately identified, assessed, and responded to the challenges and risks faced during the past financial year, including:

- **Continuing to strengthen the control environment** – investing in people, technology, automation, and security measures
- **Keeping our long-term objectives and needs on track** – applying our investment philosophy consistently and executing on strategic projects
- **Addressing audit and risk findings** – appropriate actions and responses developed and agreed upon in order to respond to internal audit findings and the identified risks
- **Responding to external risks/challenges** – preparing for and managing the SA greylisting, ongoing loadshedding and hard reinsurance market.

Key risk management

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

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

Strategic risk

Key risk theme	Response
Ensuring business plans, strategies and decisions are appropriate to maintain acceptable levels of risk (risk vs reward), grow recurring revenues and enhance operating margins	• Oversight by the PSG Konsult board and Exco • Quarterly business strategy sessions focusing on each division and business unit • Key metrics defined and regularly monitored (daily, weekly, monthly and quarterly) • Strong corporate governance and established risk management structures • Dedicated marketing team ensuring client and brand focus remains intact • Dedicated PMO function to ensure we deliver on key strategic projects • Annual ORSA report produced to demonstrate business sustainability and resilience • Three-year growth and business strategy in place and targets tracked

Regulatory risk[1]

Key risk theme	Response
Complying with all regulatory requirements (including new or changed requirements), while complaints remained stable and under control	• Dedicated independent legal and compliance function • Overseen by the compliance, risk and legal committees • Legislative changes centrally overseen by the PSG Konsult legislation committee • Implementation of any change overseen by the PSG Konsult operating committee • Active engagement with regulators and represented at most of the major industry and regulatory bodies • Monthly and quarterly capital adequacy review • Regulatory universe in place and monitored

Business and operational risk[1]

Key risk theme	Response
Scanning, evaluating, enhancing and responding to changes in the business environment	• Overseen by the PSG Konsult management and operating committees • Complaints monitored by the PSG Konsult customer services review committee • Established outsourcing principles and oversight • Key projects/initiatives guided by the project management and engineering offices • Dedicated management information system team • Established business continuity capability (including communications, crisis management plans and testing)
In-time incident response and technology environment strengthened	• Operational incident management system in place • Processes audited and improvements actioned • Enhancing processes via automation and IT optimisation

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

Information technology risk (including data)[1]

Key risk theme	Response
Adequate investment in technology	- Overseen by the PSG Konsult operating committee, data governance and technical and security councils - Continued enhancements based on regular cyber security audits - Group-wide IT security concepts and threat awareness training in progress - IT business continuity, disaster recovery and cyber incident management plans in place, with defined escalation and severity levels - Policies to align with regulations (including information security, cyber security, patch management, backups and incident management) in place

Underwriting risk (non-life)[1]

Key risk theme	Response
Western book performance monitored and corrective action taken when needed	- Underwriting risk mainly limited to non-life insurance activities at Western Group - Overseen by the Western Group risk committee - Quality underwriting reports monitored by the actuarial team - Limited insurance and investment risk retention levels - Mitigating action taken for areas where improvements are identified - Capital modelling and stress testing ensuring adequate capital levels are maintained

Counterparty risk (including credit risk)

Key risk theme	Response
High-quality counterparty exposure and adequate margins maintained	- Combined oversight by the PSG Konsult credit committee, investment committee and relevant management committees - Exposure mainly limited to top-rated local and international banks and corporates - Margin business exposure monitored daily - Sufficient collateral held for most loans and security provided - Products and providers overseen by the product governance committees - Reinsurance panel overseen by the Western Group risk committee

Market/investment risk

Key risk theme	Response
Consistent investment philosophy applied	- Overseen by the PSG Konsult investment committee - Shareholder assets invested mainly in cash and low-risk unit trusts - PSG Asset Management applies risk-based investment processes - Portfolio and fund committees in place supporting our advisers - Internal limits aligned to appetite and fund sizes with compliance monitoring in place - Transparent and measurable products with relatively low level of complexity

Liquidity risk[1]

Key risk theme	Response
Centralised treasury function	- Overseen by the PSG Konsult investment committee - Centralised treasury function manages group capital and funding requirements - Monthly cash flow analysis, scenario-based forecasts and reporting - Monthly asset/liability matching and reconciliation - Regulatory capital requirements managed and monitored separately - Bank funding facilities available - Liquidity reporting and visibility to encourage key decisions

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

The year ahead

PSG Konsult will, as always, continue to anticipate, understand, and respond to change and new or emerging risks. Our risk profile outlook for 2024 remains similar to 2023 and can be summarised as follows:

Strategic	- Volatility/uncertainty in local/global markets
Operational/business	- Streamline and automate processes further
Regulatory	- Adapting to and absorbing regulatory change
Information technology	- Enhance systems and strengthen IT and data security measures across the firm
Underwriting	- Adequate monitoring and oversight in place
Credit	- Adequate monitoring in place - Closely monitor market and business environment, and the potential impact on counterparties
Market	- Volatile markets and events expected to remain
Liquidity	- Adequate facilities in place

> “Competitive remuneration is essential to attracting and retaining our high calibre employees”

05

REMUNERATION REPORT

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The remuneration committee chairman's statement

Introduction and context

I am pleased to present the 2023 remuneration report to the shareholders on behalf of PSG Konsult's board of directors and Remco. This report encompasses PSG Konsult's board-approved remuneration policy and framework, and reports on the implementation thereof.

Management has continued to successfully execute the business strategy through profitable, sustainable growth in 2023. PSG Konsult delivered a 5% increase in recurring headline earnings per share, increased the dividend per share by 13%, generated a return on equity of 22.7% and grew total assets under management by 13% during the current year.

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

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

Our 'fit for purpose' remuneration policy and framework are set out in the remuneration policy section of this report from page 101. We are satisfied that the 2023 remuneration policy achieved its stated objectives.

In conclusion

Our 2023 remuneration policy was well received by shareholders and achieved a non-binding advisory vote of 93.9% in its favour at the 2022 AGM, while the remuneration implementation report also received a vote of 93.9% in its favour.

We will put our 2024 remuneration policy, which remains unchanged, and our implementation report to two separate non-binding advisory votes at our AGM. If the remuneration policy or implementation report is voted against by 25% or more of the votes exercised at the AGM, PSG Konsult will, in its voting results announcement pursuant to the JSE Listings Requirements, extend an invitation to dissenting shareholders to engage with the group. We look forward to your ongoing support and engagement on the policy.

Piet Mouton
Chairman of the remuneration committee

Remuneration policy

Introduction

PSG Konsult is deemed a controlling company of an insurance group. PSG Konsult and all its subsidiary entities, including subsidiary insurance licensed entities, aims to remunerate directors, executives and employees fairly and responsibly. This approach takes cognisance of remuneration best practices to ensure the group attracts and retains appropriate skills and talent.

Sound remuneration practices are an essential component of an effective governance framework.

The remuneration policies and practices aim to align remuneration with the long-term interests of the group and other stakeholders and to discourage excessive or inappropriate risk-taking.

Philosophy

PSG Konsult's core remuneration philosophy is based on reward for financial and relevant non-financial performance, and is aligned with its overall business strategy, objectives, values, target corporate culture and risk appetite (including the group's risk management practices) – maintaining compliance with all relevant regulations and market practices.

Profitability, business processes and risks, clients and people are the KPIs for reward. Three performance components are considered for annual increases: group results, divisional performance and individual performance, with due consideration given to inflation.

Policy scope

This remuneration policy (the policy) is a general policy applicable to all 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 the purpose of all remuneration considerations, 'remuneration' has the meaning as defined in section 30(6) of the Companies Act:

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

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

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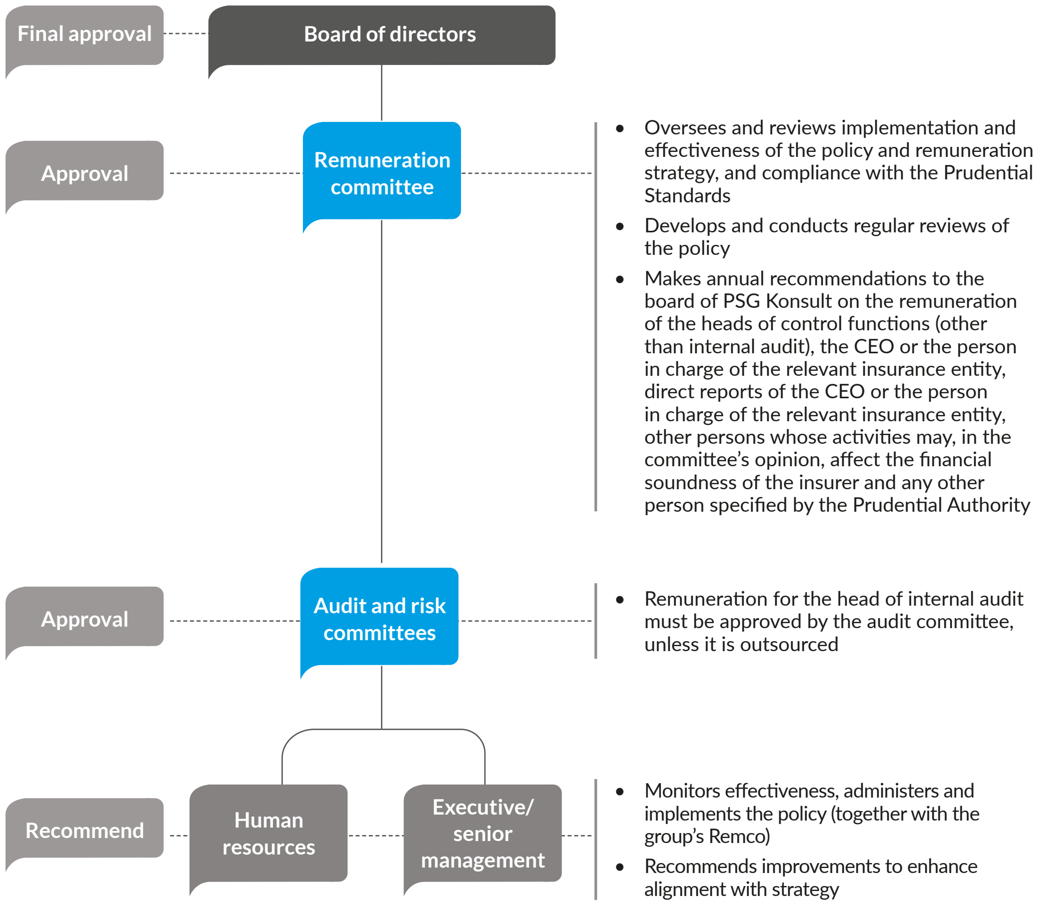
[1] *Excluding all shared offices' advisers and their support staff. Various compensating controls are in place to prevent inappropriate behaviour and excessive risk-taking.*

Roles and responsibilities relating to the policy



- 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 in charge of the relevant insurance entity, direct reports of the CEO or the person in charge of the relevant insurance entity, other persons whose activities may, in the committee's opinion, affect the financial soundness of the insurer and any other person specified by the Prudential Authority

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

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

Objectives

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

At the same time, remuneration practices must:

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

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

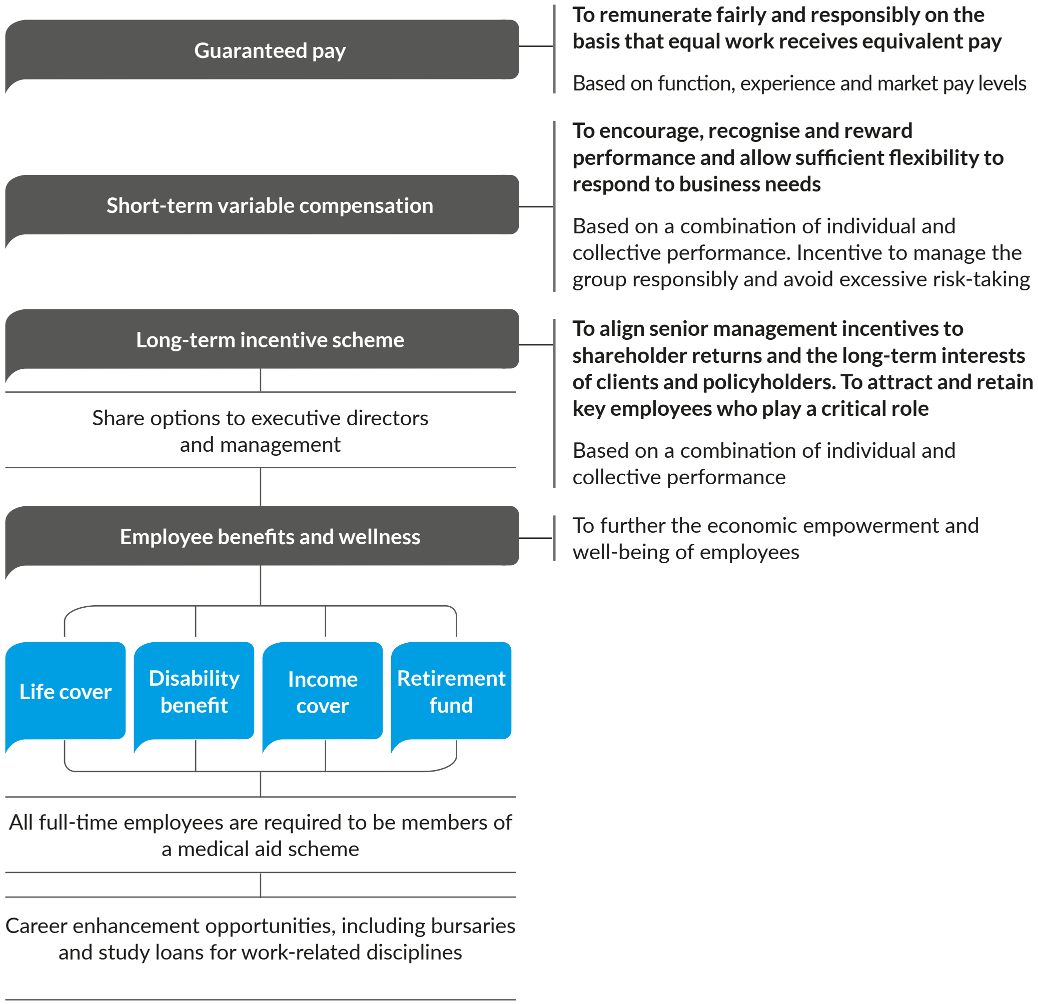
The group also offers development through career enhancement opportunities, including bursaries and study loans for work-related disciplines or future business requirements in specialist fields.

Remuneration elements

The group determines its compensation pool based on its financial performance, after considering its risk appetite.

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

Remuneration elements include:



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

Based on function, experience and market pay levels

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

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

To further the economic empowerment and well-being of employees

All full-time employees are required to be members of a medical aid scheme

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

Performance-based compensation aimed at ensuring stakeholder performance alignment has been the cornerstone of PSG Konsult's success, and is a blended function of our adviser and core staff remuneration:

- Advisers: remuneration is linked to revenue generated by the advisers, and
- Core staff: compensation is determined based on a targeted compensation ratio which is linked to the group's net profit before tax. Variable remuneration is the residual element once the fixed remuneration costs have been deducted

Guaranteed pay

Pay bands are broad and allow for flexibility to ensure that individual expertise and experience are duly considered.

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

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

Short-term variable compensation

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

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

In measuring and evaluating the business performance, the following guiding strategic principles and KPIs[1] 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

The quantitative and qualitative KPIs, including the specific metric targets are set out in detail in the group's remuneration implementation report from page 108.

Short-term variable compensation awards

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 annually without deferment.

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

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[1] *The group's key individuals and executives' KPIs are determined with reference to the following:*

- *The group's overall strategy as set out on pages 44 and 45 of the integrated report*
- *The group's annual budget approved by the board*
- *The group's risk appetite statement approved by the risk committee*

Long-term incentive scheme

Annually, the group Remco awards share options to align senior management incentives to shareholder returns and the long-term interests of clients and policyholders.

This incentive also seeks to attract and retain key senior employees who play a critical role in the business successes of the group. According to the share incentive scheme, the group grants share options to executive directors and management. The share options awarded annually are based on the achievement of the KPIs as set out on page 108 of implementation report. These share options are allocated to participants at the relevant grant date based on the 30-day volume-weighted-average price (VWAP)[1].

The scheme vests over a five-year period from the date on which the share option was awarded.

Shares vest as follows:

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

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

Termination of employment

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

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

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

Employee benefits and wellness

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

All full-time employees 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 guaranteed pay based on the type and number of board committees they are involved in. These guaranteed payments are determined and recommended by relevant senior management for consideration by the group Remco, and for final approval by the shareholders at the AGM.

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[1] *PSG Konsult's share options are therefore fully priced options, which include embedded performance hurdles as management only benefits if the share price increases above the vesting strike price. Refer to page 109 of the implementation report for further information on fully priced share options.*

The proposed non-executive director fees for the period 1 March 2023 to 28 February 2024 are as follows (exclusive of VAT):

Role	FY2024[1]
Board chairperson	**R1 500 000**
Lead independent director	**R480 000**
Board member	**R368 000**
Audit committee chairperson	**R160 000**
Audit committee member	**R90 000**
Risk committee chairperson	**R160 000**
Risk committee member	**R90 000**
Remuneration committee chairperson	**R65 000**
Remuneration committee member	**R45 000**
Social and ethics committee chairperson	**R80 000**
Social and ethics committee member	**R50 000**
Nominations committee chairperson	**R40 000**
Nominations committee member	**R25 000**

[1] *A one-time fee adjustment for committee and board members is proposed, with effect from 1 March 2023. The proposed fee increases are as a result of a comprehensive fee review benchmarking exercise performed against appropriate competitors and other financial service companies with similar regulatory requirements. This exercise indicated that the fees paid by PSG Konsult, designated as an Insurance Group by the Prudential Authority, were significantly below market rates. The ongoing expansion of the business and additional regulatory requirements have increased the complexity of the business and the time that non-executive directors need to commit to serving on entity boards and committees. We anticipate that only inflationary fee adjustments will be proposed for shareholder approval in future years, provided there are no significant changes in the business. We believe the proposed adjustment is in the best interest of PSG Konsult stakeholders.*

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

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

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

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

Heads of control functions

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

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

Senior management in each insurance entity will recommend total compensation (both guaranteed 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 (where relevant): Recommendation to the group Remco for consideration

The guaranteed remuneration for each of these employees will be competitive. 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, provided that this remuneration:

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

Remuneration of other employees

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

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

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

Governance

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

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

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

The group Remco is responsible for developing and conducting regular reviews of this policy, as well as being responsible for monitoring the implementation and effectiveness of this policy and its compliance with the relevant Prudential Standard. In accordance with King IV and the Companies Act, individual remuneration of prescribed officers is disclosed. Full compensation details are in the implementation report, which is included from page 108. An independent control function monitors how remuneration is applied to make sure the group Remco complies with this policy.

The group Remco is governed by its terms of reference.

Guidelines in reviewing the effectiveness of the policy

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

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

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

Implementation report

Fixed remuneration

The remuneration committee approved salary increases for employees in line with the industry sector for the 2023 financial year.

After due consideration and taking into account current market conditions, the committee is satisfied that the increase levels for executive directors for the 2023 financial year are in line with the increase levels for all other employees.

Long-term incentives (LTIs)

A key feature of the group's share incentive scheme is the alignment of senior management incentives, including those of the executive directors, with shareholder returns and the long-term interests of clients and policyholders.

This incentive also seeks to attract and retain key senior employees who play a critical role in business success.

Evaluating executive directors' long-term remuneration

The value of options redeemed/exercised during the year and closing indicative expected value included in the table on page 111 should be considered in light of the group's remuneration policy, which is specifically designed to align the interests of the executive directors with those of shareholders. It also aims to align directors' successful execution of the group's objective of value creation for shareholders with the long-term interests of clients and policyholders.

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

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

When evaluating the group's performance over the long term, the TRI is the most meaningful measurement tool. The TRI is the CAGR of an investment and is calculated by considering share price appreciation, dividends and other distributions. This is a sound measure of wealth creation and a reliable means of benchmarking different companies.

The group's TRI as at 28 February 2023 was 26% per annum since 2005. Therefore, R100 000 worth of PSG Konsult shares purchased on 11 April 2005, with dividends reinvested, would be worth R6 601 990 as at 28 February 2023. The same investment in the JSE ALSI over the same period would be worth R1 007 780 (85% lower).

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

Remuneration policy implementation – additional disclosure

Malus, clawback and performance hurdle provisions

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

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

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

Fully priced share options

Fully priced share options include embedded performance hurdles as management only benefits if the share price increases above the vesting strike price. For the fully priced share option awards to have a favourable monetary value benefit to participants on the vesting date, an underlying performance criteria is that the management team successfully achieve growth in recurring headline earnings per share and growth in the overall price-earnings ratio rating of the business post share option acceptance award date.

Therefore, for share options to increase above the vesting strike price, an increase in recurring headline earnings per share and price-earnings ratio of the group is required, ensuring better alignment with shareholders.

Executive directors' key performance measures

The Remco determines the awards to the executive directors based on individual performance, which is measured quantitatively and qualitatively. Please note that, in some instances, the Remco considers the disclosure of certain performance measures to be commercially sensitive. The following tables provide details of the KPIs that the Remco has considered.

The weightings have been assigned to each KPI to give the reader a sense of the relative importance of each measure in the current financial year. They have not been used to perform a formulaic, overall score for the executive concerned. The Remco, having evaluated the performance of the CEO and CFO during the period, has concluded that they either met or exceeded requirements of each of the overleaf KPI requirements.

Chief executive officer

Quantitative factors 50%

Financial indicators	Key measurement metrics
• Ensure quality of earnings growth in context of macroeconomic indicators	• Recurring headline earnings per share • Net managed assets flows and managed asset growth
• Generate risk-adjusted returns on shareholder assets	• Recurring headline earnings per share • Return on equity • Operating margin
• Operate business within acceptable risk appetite tolerance levels	• Group capital cover ratio • Debt:equity ratio

Qualitative factors 50%

Strategy and guidance

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

Projects and initiatives

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

People management

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

Stakeholder relationships

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

Chief financial officer

Quantitative factors 33%

Financial indicators	Key measurement metrics
• Provide effective cost management and control	• Operating margin • Cost to income ratio
• Oversee and manage business capital, regulatory solvency and liquidity requirements	• Return on equity • Group capital cover ratio
• Optimise risk-adjusted returns on shareholder assets	• Return on equity • Operating margin • Recurring headline earnings per share
• Oversee financial risk exposure and assist business to operate within acceptable risk appetite tolerance levels	• Group capital cover ratio • Debt:equity ratio

Qualitative factors 67%

Financial reporting

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

Control environment

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

Projects and initiatives

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

People management

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

Stakeholder relationships

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

The tables on page 111 disclose 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 Konsult Group for the year ended 28 February 2023:

Equity-based remuneration

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

Audited	Number of share options as at 28 Feb 2022	Number of share options during year		Market price per share on vesting date R	Vesting strike price per share R	Date granted	Number of share options as at 28 Feb 2023	Value of options redeemed/ exercised during year[1] R000	Closing indicative expected value as at 28 Feb 2023[2] R000
		Granted	Vested						
Executive									
FJ Gouws	789 139	–	(789 139)	13.65	7.59	1/04/2017	–	4 782	–
	1 875 000	–	(937 500)	13.65	8.74	1/04/2018	937 500	4 603	3 984
	3 000 000	–	(1 000 000)	13.65	10.15	1/04/2019	2 000 000	3 500	5 680
	4 800 000	–	(1 200 000)	13.65	7.13	1/04/2020	3 600 000	7 824	21 096
	8 500 000	–	–	–	9.08	1/04/2021	8 500 000	–	33 235
	–	5 250 000	–	–	12.71	1/04/2022	5 250 000	–	1 470
	18 964 139	5 250 000	(3 926 639)				20 287 500	20 709	
MIF Smith	257 527	–	(257 527)	13.65	7.59	1/04/2017	–	1 561	–
	600 000	–	(300 000)	13.65	8.74	1/04/2018	300 000	1 473	1 275
	750 000	–	(250 000)	13.65	10.15	1/04/2019	500 000	875	1 420
	1 200 000	–	(300 000)	13.65	7.13	1/04/2020	900 000	1 956	5 274
	2 100 000	–	–	–	9.08	1/04/2021	2 100 000	–	8 211
	–	1 500 000	–	–	12.71	1/04/2022	1 500 000	–	420
	4 907 527	1 500 000	(1 107 527)				5 300 000	5 865	

[1] *The value of options redeemed/exercised is the number of share options exercised in the 2023 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 19 April 2023 Messrs FJ Gouws and MIF Smith respectively accepted 5 000 000 and 1 250 000 share option awards at a strike price of R12.17 per share. These are exercisable in tranches of 25% each on the 2nd, 3rd, 4th and 5th anniversary of the award date.

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 2023 and 2022 financial years, is set out in the following tables:

Cash-based remuneration

Executive directors

Audited	Directors' fees R000	Basic salary R000	Bonuses and performance-related payments R000	Company contributions R000	LTI R000	Total R000
For the year ended 28 February 2023						
FJ Gouws[1]	**–**	**5 887**	**34 200**	**85**	**20 709**	**60 881**
MIF Smith	**–**	**2 935**	**12 800**	**63**	**5 865**	**21 663**
	–	**8 822**	**47 000**	**148**	**26 574**	**82 544**
For the year ended 28 February 2022						
FJ Gouws[2, 3]	277	5 628	29 186	86	17 548	52 725
MIF Smith	–	2 795	12 000	53	4 563	19 411
	277	8 423	41 186	139	22 111	72 136

[1] *Total performance incentive bonus awarded for the 2023 financial year was R34.2 million which was paid in cash in May 2023, 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). In addition, an incentive bonus previously paid of R8.4 million, relating to prior year deferred bonuses, is no longer subject to clawback provisions.*

[2] *Director's fee paid to PSG Management Services Proprietary Limited as non-executive director of PSG Group Limited during the 2022 financial year.*

[3] *Total performance incentive bonus awarded for the 2022 financial year was R32.0 million. 70% of bonus awarded, being R22.4 million, is unconditional and was paid in cash in April 2022. The remaining 30% was 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: R4.8 million in April 2023, being 12 months after award date, while the remaining R4.8 million (2021: R3.6 million) is conditional for 24 months until April 2024 (2021: April 2023).*

Non-executive directors

			Paid for services rendered to PSG Group Limited[1]			
Audited	**PSG Konsult director fees R000**	**Subsidiary director fees R000**	**Directors' fees R000**	**Basic salary R000**	**Total R000**	**Total R000**
For the year ended 28 February 2023						
W Theron	**1 164**	**306**	**–**	**–**	**–**	**1 470**
J de V du Toit[2]	**149**	**–**	**–**	**–**	**–**	**149**
PJ Mouton[1, 3]	**110**	**–**	**–**	**–**	**–**	**110**
PE Burton	**622**	**143**	**–**	**–**	**–**	**765**
ZL Combi	**509**	**–**	**–**	**–**	**–**	**509**
ZRP Matsau	**491**	**157**	**–**	**–**	**–**	**648**
TC Esau-Isaacs[4]	**465**	**110**	**–**	**–**	**–**	**575**
AH Sangqu	**464**	**364**	**–**	**–**	**–**	**828**
	3 974	**1 080**	**–**	**–**	**–**	**5 054**
For the year ended 28 February 2022						
W Theron	1 120	337	–	–	–	1 457
J de V du Toit	277	–	–	–	–	277
PJ Mouton[3, 5]	–	–	–	12 552	12 552	12 552
PE Burton	582	133	601	–	601	1 316
ZL Combi	476	–	768	–	768	1 244
ZRP Matsau	458	150	–	–	–	608
TC Esau-Isaacs	435	94	–	–	–	529
AH Sangqu	400	227	–	–	–	627
	3 748	941	1 369	12 552	13 921	18 610

[1] *PSG Konsult was unbundled from PSG Group during September 2022, therefore no remuneration relating to PSG Group has been shown for the 2023 financial year.*

[2] *Retired as a director of PSG Konsult Limited during July 2022.*

[3] *Director's fee of R0.2 million (2022: R0.3 million) was paid to a subsidiary of PSG Group Limited.*

[4] *Resigned as a director of PSG Konsult Limited with effect from 1 March 2023.*

[5] *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 2022 was R12.4 million, of which 30% is deferred for a period of 12 months subject to him remaining in PSGCS's employment and malus/clawback provisions. Including the vesting of the prior year deferred portion, his remuneration for the financial year ended 28 February 2022 was R12.6 million.*

Approval

This remuneration report was approved by the Remco on 16 March 2023. The Remco is satisfied that there are no deviations from the remuneration policy in its implementation during the 2023 financial year.

06

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Report of the audit committee

for the year ended 28 February 2023

The committee is pleased to present its report for the financial year ended 28 February 2023.

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

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

Terms of reference

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

Composition and meeting proceedings

At 28 February 2023, the audit committee consisted of five non-executive directors who act independently as described in section 94 of the Companies Act.

For the financial year ended 28 February 2023, the members of the audit committee were:

Membership and attendance	12 April 2022	12 October 2022
PE Burton – chairman	✓	✓
AH Sangqu	✓	✓
TC Esau-Isaacs[1]	✓	✓
ZL Combi	✓	✓
ZRP Matsau	✓	✓

✓ Present

[1] *TC Esau-Isaacs resigned as a director and as a member of the audit committee with effect from 1 March 2023.*

The committee met twice, formally, in the financial year under review and had full attendance. At the meetings, the members fulfilled all their functions as prescribed by the Companies Act, as well as those additional functions as determined by the board.

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

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

The following independent non-executive directors were appointed to the audit committee effective 1 March 2023:

- B Mathews
- AM Hlobo

Duties

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

In the course of its review the committee:

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

Legal requirements

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

External auditor

The board sets a policy that governs the level and nature of non-audit services, which requires preapproval by the audit committee for all non-audit services. In determining the independence of the external auditors, the committee considers the level and types of non-audit services provided as well as other enquiries and representations. As required by the Companies Act, the committee has satisfied itself that PSG Konsult Limited's external auditor, Deloitte & Touche, was independent of the company, as set out in sections 90(2)(c) and 94(8) of the Companies Act and is thereby able to conduct its audit functions without any undue influence from the company.

The committee has considered the relevant audit quality indicators, including the audit firm's system of quality control. As required by section 3.84(g)(iii) of the JSE Listings Requirements, the committee was satisfied with the quality of the audit concluded by considering, inter alia, the information stated in paragraph 22.15(h) of the JSE Listings Requirements. Deloitte & Touche, being the audit firm, as well as Mrs N le Riche, being PSG Konsult's designated individual auditor for the 2023 financial year, have been accredited on the JSE list of auditors in terms of the criteria in the JSE Listings Requirements.

Financial function

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

Internal financial controls

The audit committee evaluated the company's internal financial controls including the combined assurance model and, based on the information and explanations given by management and the group internal audit function, as well as discussions with the independent external auditor regarding the results of their audit, the committee is satisfied that there was no material breakdown in the internal financial controls during the financial year under review. There were control deficiencies identified at one of the exchange providers for our stockbroking business, which impacted several entities within the industry who make use of the exchange provider. The audit committee is satisfied that the group had compensating controls in place which ensured that the financial statements were not materially misstated. Management has engaged with the exchange provider regarding their remediation plans.

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

Governance of risk

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

Going concern

The audit committee reviewed a documented assessment prepared by management, including key assumptions, of the going concern status of the company and made a recommendation to the board in accordance with this assessment. The board's statement on the going concern status appears on page 118 of the integrated report.

Annual report

The committee has evaluated the annual financial statements of the group and company for the year ended 28 February 2023, with specific consideration of the following significant financial reporting matter during the year:

- The key judgements used in the valuation of intangible assets

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

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

PE Burton
Chairman of the audit committee

24 May 2023

Statement of responsibility by the board of directors

for the year ended 28 February 2023

The directors of PSG Konsult Limited are responsible for the preparation, integrity and fair presentation of the group and company financial statements of PSG Konsult Limited. The group and company financial statements, comprising the statements of financial position at 28 February 2023, and the income statement, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, have been prepared in accordance with IFRS and the requirements of the Companies Act, and include amounts based on judgements and estimates made by management. In addition, the directors are responsible for preparing the report of the board of directors.

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

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

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

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

It is the responsibility of the independent auditor to report on the annual financial statements. In order to do so, they were given unrestricted access to all financial records and related data, including minutes of all meetings of shareholders, the board of directors and committees of the board. The group's external auditor, Deloitte & Touche, audited the financial statements and their report is presented on pages 125 to 127.

The annual financial statements, presented on pages 128 to 264, were approved by the board of directors on 24 May 2023 and are signed on its behalf by:

W Theron
Chairman

FJ Gouws
Chief executive officer

MIF Smith
Chief financial officer

Preparation and presentation of the annual financial statements

for the year ended 28 February 2023

The annual financial statements for the year ended 28 February 2023 have been prepared under the supervision of the CFO, Mr MIF Smith, CA(SA).

These annual financial statements have been audited by Deloitte & Touche in accordance with the requirements of the Companies Act.

Statement on internal financial controls

for the year ended 28 February 2023

Each of the directors, whose names are stated below, hereby confirm that:

- the annual financial statements, set out on pages 128 to 264, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries has been provided to effectively prepare the financial statements of the issuer;
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;
- where we are not satisfied, we have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls and have taken steps to remedy the deficiencies; and
- we are not aware of any fraud involving directors.

FJ Gouws
Chief executive officer

24 May 2023

MIF Smith
Chief financial officer

24 May 2023

Certificate by the company secretary

for the year ended 28 February 2023

I hereby certify, in terms of section 88(2)(e) of the Companies Act, that to the best of my knowledge, for the year ended 28 February 2023, the company has lodged with the Companies and Intellectual Property Commission all such returns and notices as required of a public company in terms of the Companies Act and that all such returns and notices are true, correct and up to date.

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

24 May 2023

Report of the board of directors

for the year ended 28 February 2023

The directors take pleasure in presenting their integrated report, which includes the audited financial statements of PSG Konsult Limited (the company) and its subsidiaries (the group) for the year ended 28 February 2023 (the financial year or the year).

Nature of business

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

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

Corporate governance

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

Financial results

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

The earnings attributable to equity holders of the group for the year under review were R950.8 million (2022: R920.9 million). The group's headline earnings attributable to shareholders amounted to R948.8 million (2022: R920.7 million).

Dividends

In line with the group's policy of paying a dividend of between 40% and 60% (previously 50%) of recurring headline earnings excluding intangible asset amortisation, the board approved and declared a final gross dividend of 25.0 cents per share (2022: 22.0 cents per share) from income reserves on 13 April 2023. No provision has been included in the financial statements. This follows the interim dividend of 11.0 cents per share (2022: 10.0 cents per share) declared in October 2022, which brings the total gross dividend declared for the 2023 financial year to 36.0 cents per share (2022: 32.0 cents per share). The directors have performed the required solvency and liquidity tests required by the Companies Act.

Stated capital

Details of the authorised and issued stated capital appear in note 13 to the group financial statements. No shares were issued during the year (2022: none).

Subsidiaries in the group held 13.1 million PSG Konsult shares at 28 February 2023 (2022: 14.9 million). The shares are held as treasury shares. The company has the right to reissue these shares at a later date to meet the obligations under the share incentive schemes or deferred bonus schemes.

Subsidiaries

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

Segment information

Refer to the segment report on pages 134 to 143.

Related parties

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

For related-party transactions and key management personnel, refer to note 33 to the group financial statements.

Details of directors' remuneration and their interest in the company's shares appear on pages 121 to 123.

Companies Act

The company has approved an MOI in light of the promulgation of the Companies Act and the Companies Regulations.

Shareholders

Details of the group's shareholders are provided in the shareholder profile section of this report in Annexure C.

Directors

The directors of the company at the date of this report appear on pages 72 and 73.

Directors and prescribed officers' remuneration

The Remco considers the remuneration of all executive directors and prescribed officers, as well as the fees paid to all non-executive directors. Fees payable to non-executive directors are recommended by the board to the AGM for approval.

Cash-based remuneration

Executive directors

Audited	**Directors' fees R000**	**Basic salary R000**	**Bonuses and performance-related payments R000**	**Company contributions R000**	**Total R000**
For the year ended 28 February 2023					
FJ Gouws[1]	–	5 887	34 200	85	40 172
MIF Smith	–	2 935	12 800	63	15 798
	–	8 822	47 000	148	55 970
For the year ended 28 February 2022					
FJ Gouws[2, 3]	277	5 628	29 186	86	35 177
MIF Smith	–	2 795	12 000	53	14 848
	277	8 423	41 186	139	50 025

[1] *Total performance incentive bonus awarded for the 2023 financial year was R34.2 million which was paid in cash in May 2023, 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). In addition, an incentive bonus previously paid of R8.4 million, relating to prior year deferred bonuses, is no longer subject to clawback provisions.*

[2] *Director's fee paid to PSG Management Services Proprietary Limited as non-executive director of PSG Group Limited during the 2022 financial year.*

[3] *Total performance incentive bonus awarded for the 2022 financial year was R32.0 million. 70% of bonus awarded, being R22.4 million, is unconditional and was paid in cash in April 2022. The remaining 30% was 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: R4.8 million in April 2023, being 12 months after award date, while the remaining R4.8 million (2021: R3.6 million) is conditional for 24 months until April 2024 (2021: April 2023).*

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

Report of the board of directors

for the year ended 28 February 2023

Non-executive directors

			Paid for services rendered to PSG Group Limited[1]			
Audited	**PSG Konsult director fees R000**	**Subsidiary director fees R000**	**Directors' fees R000**	**Basic salary R000**	**Total R000**	**Total R000**
For the year ended 28 February 2023						
W Theron	**1 164**	**306**	**–**	**–**	**–**	**1 470**
J de V du Toit[2]	**149**	**–**	**–**	**–**	**–**	**149**
PJ Mouton[1, 3]	**110**	**–**	**–**	**–**	**–**	**110**
PE Burton	**622**	**143**	**–**	**–**	**–**	**765**
ZL Combi	**509**	**–**	**–**	**–**	**–**	**509**
ZRP Matsau	**491**	**157**	**–**	**–**	**–**	**648**
TC Esau-Isaacs[4]	**465**	**110**	**–**	**–**	**–**	**575**
AH Sangqu	**464**	**364**	**–**	**–**	**–**	**828**
	3 974	**1 080**	**–**	**–**	**–**	**5 054**
For the year ended 28 February 2022						
W Theron	1 120	337	–	–	–	1 457
J de V du Toit	277	–	–	–	–	277
PJ Mouton[3, 5]	–	–	–	12 552	12 552	12 552
PE Burton	582	133	601	–	601	1 316
ZL Combi	476	–	768	–	768	1 244
ZRP Matsau	458	150	–	–	–	608
TC Esau-Isaacs	435	94	–	–	–	529
AH Sangqu	400	227	–	–	–	627
	3 748	941	1 369	12 552	13 921	18 610

[1] *PSG Konsult was unbundled from PSG Group during September 2022, therefore no remuneration relating to PSG Group has been shown for the 2023 financial year.*

[2] *Retired as a director of PSG Konsult Limited during July 2022.*

[3] *Director's fee of R0.2 million (2022: R0.3 million) was paid to a subsidiary of PSG Group Limited.*

[4] *Resigned as a director of PSG Konsult Limited with effect from 1 March 2023.*

[5] *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 2022 was R12.4 million, of which 30% is deferred for a period of 12 months subject to him remaining in PSGCS's employment and malus/clawback provisions. Including the vesting of the prior year deferred portion, his remuneration for the financial year ended 28 February 2022 was R12.6 million.*

Equity-based remuneration

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

		Number of share options during year					
Audited	Number of share options as at 28 Feb 2022	**Granted**	**Vested**	**Market price per share on vesting date R**	**Vesting strike price per share R**	**Date granted**	**Number of share options as at 28 Feb 2023**
Executive							
FJ Gouws	789 139	**–**	**(789 139)**	**13.65**	**7.59**	**1/04/2017**	**–**
	1 875 000	**–**	**(937 500)**	**13.65**	**8.74**	**1/04/2018**	**937 500**
	3 000 000	**–**	**(1 000 000)**	**13.65**	**10.15**	**1/04/2019**	**2 000 000**
	4 800 000	**–**	**(1 200 000)**	**13.65**	**7.13**	**1/04/2020**	**3 600 000**
	8 500 000	**–**	**–**	**–**	**9.08**	**1/04/2021**	**8 500 000**
	–	**5 250 000**	**–**	**–**	**12.71**	**1/04/2022**	**5 250 000**
	18 964 139	**5 250 000**	**(3 926 639)**				**20 287 500**
MIF Smith	257 527	**–**	**(257 527)**	**13.65**	**7.59**	**1/04/2017**	**–**
	600 000	**–**	**(300 000)**	**13.65**	**8.74**	**1/04/2018**	**300 000**
	750 000	**–**	**(250 000)**	**13.65**	**10.15**	**1/04/2019**	**500 000**
	1 200 000	**–**	**(300 000)**	**13.65**	**7.13**	**1/04/2020**	**900 000**
	2 100 000	**–**	**–**	**–**	**9.08**	**1/04/2021**	**2 100 000**
	–	**1 500 000**	**–**	**–**	**12.71**	**1/04/2022**	**1 500 000**
	4 907 527	**1 500 000**	**(1 107 527)**				**5 300 000**

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 2023 (Audited)	**Direct Number**	**Indirect Number**	**Direct Number**	**Indirect Number**	**Number**	**%**
FJ Gouws	**24 473 761**	**27 500 000**	**–**	**–**	**51 973 761**	**4.0**
MIF Smith	**450 000**	**–**	**–**	**2 300 000**	**2 750 000**	**0.2**
PJ Mouton[1]	**351 420**	**184 767 037**	**–**	**1 778 403**	**186 896 860**	**14.5**
W Theron	**–**	**–**	**–**	**20 000 000**	**20 000 000**	**1.5**
	25 275 181	**212 267 037**	**–**	**24 078 403**	**261 620 621**	**20.0**

	Beneficial		Non-beneficial		Total shareholding	
As at 28 February 2022 (Audited)	Direct Number	Indirect Number	Direct Number	Indirect Number	Number	%
J de V du Toit[2]	–	–	–	4 000 000	4 000 000	0.3
FJ Gouws	24 473 761	27 500 000	–	–	51 973 761	3.9
MIF Smith	450 000	–	–	2 300 000	2 750 000	0.2
W Theron	–	–	–	20 000 000	20 000 000	1.5
	24 923 761	27 500 000	–	26 300 000	78 723 761	5.9

[1] *Shares acquired by PJ Mouton due to PSG Group unbundling during September 2022, including both beneficial and non-beneficial interest.*

[2] *Retired as a director of PSG Konsult Limited effective 11 July 2022.*

There have been no changes to the directors' shareholdings between the end of the financial year and the date of this report.

Secretary

The secretary of the company is S Hamit (on behalf of PSG Management Services Proprietary Limited), whose business and postal addresses are:

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

PO Box 3335
Tyger Valley
Bellville
7536

Independent auditors

Deloitte & Touche will continue in office in accordance with section 90(1) of the Companies Act.

Report of the board of directors

for the year ended 28 February 2023

Special resolutions

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

- The company is authorised to remunerate its directors for their services as directors.
- The board of the company is authorised, in terms of section 45(3)(a)(ii) of the Companies Act, to approve any direct or indirect financial assistance that the board may deem fit to any director, prescribed officer or company that is related or interrelated to the company on the terms and conditions and for amounts that the board of the company may determine.
- The board of the company is authorised, in terms of section 44(3)(a)(ii) of the Companies Act, to approve any direct or indirect financial assistance that the board may deem fit to any director, prescribed officer or company that is related or interrelated to the company, for the purpose of the subscription of any options or shares issued or to be issued by the company or a related or interrelated company, on the terms and conditions and for the amounts that the board of the company may determine.
- The company and/or its subsidiaries is authorised to repurchase its own shares upon such terms as the directors may determine, but subject to the provisions of sections 46 and 48 of the Companies Act, and the MOI of the company.

No special resolutions were passed by subsidiaries during the year under review which were material to the group.

Borrowing powers

In terms of the company's MOI, directors have unlimited borrowing powers (subject to section 45 of the Companies Act); however, Prudential Authority approval is required for any borrowings within a life insurance company in the group.

Capital commitments and contingent liabilities

The group had no material capital commitments at 28 February 2023 other than what is disclosed in note 31 to the group financial statements. The group is party to legal proceedings in the normal course of business, and appropriate provisions are made when losses are expected to materialise.

Events after the reporting date

No event material to the understanding of these results has occurred between 28 February 2023 and the date of approval of the annual financial statements.

Independent auditor's report

To the Shareholders of PSG Konsult Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of PSG Konsult Limited (the Company), and its subsidiaries (together the Group) set out on pages 121 to 122 and 128 to 261, which comprise of the consolidated and separate statements of financial position as at 28 February 2023, consolidated income statement, consolidated and separate statements of comprehensive income, consolidated and separate statement of changes in equity and consolidated and separate statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Company and Group as at 28 February 2023, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for *Auditors' Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International *Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter below relates to the consolidated financial statements. We have determined that there are no key audit matters to report in respect of the separate financial statements.

Key Audit Matter	How the matter was addressed in the audit
Valuation of customer relationship assets and goodwill	
Refer to pages 144 to 147 (Intangible Assets-Notes to the group financial statements for the year ended 28 February 2023) As at 28 February 2023, goodwill and customer relationships intangible assets amounted to R411.7 million and R755.2 million, respectively. Goodwill is carried at cost less accumulated impairment losses. Customer relationships are carried at cost less accumulated amortisation and impairment. The annual impairment assessment for goodwill was performed by management, as required by International Accounting Standard 36 – Impairment of Assets (IAS 36). • Goodwill is allocated to cash generating units (CGUs) at the lowest level of operating activity to which it relates. • An impairment assessment was also performed on the customer relationships intangible assets where there was objective evidence of impairment indicators.	Our testing of managements impairment assessment of goodwill and customer relationship focused on the key assumptions applied by management in their impairment assessment. These included the following: • We evaluated the design and implementation of key internal controls implemented over the impairment assessment. • We assessed the reasonability of the useful lives applied in the amortisation of the customer relationships intangible assets. • We reviewed the relative financial performance of the operating segments (businesses) to which the intangible assets are allocated and did not identify any evident impairment indicators. • We tested the appropriateness of customer relationships and goodwill allocated to individual CGU's, on a sample basis, to ensure the goodwill is allocated to the cash generating units at the lowest level of operating activity to which it relates. • We agreed that the cash flows assigned to the CGU's agree with the profit after tax applied in the price-earnings valuations. • Our valuation specialists evaluated the appropriateness of the valuation methodology used by management i.e. price-earnings valuations and/or discounted cash flows; and

Independent auditor's report

To the Shareholders of PSG Konsult Limited

Key Audit Matter (continued)	**How the matter was addressed in the audit** (continued)
Valuation of customer relationship assets and goodwill (continued)	
The impairment assessments performed by management were a matter of most significance to our current year audit due to the complexity of the assessment process and the significant judgements applied by management when determining the recoverable amount of the assets. Management applies a market approach (price-earnings multiple valuation) to determine the fair value less costs to sell. Where the fair value less costs to sell is lower than the carrying value, a discounted cash flow model is used to determine the value in use. The recoverable amount is the higher of the fair value less costs to sell and the value in use. Key assumptions applied by management are: • Price-earnings ratios applied in determining the fair value less costs to sell. • Growth rate applied in the first five of projected cashflows and the terminal growth rate applied thereafter, and the discount rate applied in determining the value in use.	• Compared the price-earnings ratios, and the growth rates applied in the first five years of projected cashflows, and the terminal growth rate applied thereafter and discount rates to our independently determined values, based on information from independent sources. • We completed sensitivity analysis to evaluate the reasonability of the assumptions and inputs applied by management. • We tested the mathematical accuracy of the valuations prepared by management; and • We evaluated the reasonability of future cash flows in the context of historical financial performance, approved forecasts, and prevailing economic conditions. • We assessed the budget versus actual results for each of the CGUs as at 28 February 2023 for the most recent 12-month period as part of the retrospective financial performance review. Based on the procedures performed the methodology applied, the valuation assumptions included, and the forecast cash flows are appropriate for determining if goodwill and customer relationships are impaired at 28 February 2023. We evaluated the adequacy of the disclosure in the consolidated annual financial statements as these pertain to the impairment assessment of goodwill and customer relationships against the requirements of the applicable financial reporting standards.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "PSG Konsult 2023 Integrated Report", which includes the Report of the board of directors, the Report of the audit committee, and the Certificate by the company secretary as required by the Companies Act of South. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche has been the auditor of PSG Konsult Group for two years.

DocuSigned by:
Deloitte & Touche

Deloitte & Touche
Registered Auditor

Per: Nina Le Riche
Partner

24 May 2023

The Ridge Building, 6 Marina Road, Victoria & Alfred Waterfront, Cape Town, 8000

Consolidated statement of financial position

as at 28 February 2023

	Notes	2023 R000	2022 R000
Assets			
Intangible assets	1	1 186 489	1 229 173
Property and equipment	2	74 690	86 176
Right-of-use assets	3	170 408	191 698
Investment in joint ventures	5	976	1 121
Deferred income tax assets	6	125 613	134 311
Reinsurance assets	7, 16	143 707	131 195
Loans and advances	8	193 956	154 814
Debt securities	9.1	3 414 634	3 920 219
Unit-linked investments	9.2	75 198 943	65 663 812
Equity securities	9.3	3 488 019	3 080 436
Investment in investment contracts	9.4	9 685	10 064
Derivative financial instruments	10	9 637	13 153
Deferred acquisition costs	20	8 819	6 597
Receivables including insurance receivables	11	2 168 385	2 382 777
Current income tax assets		62 110	36 297
Cash and cash equivalents (including money market funds)	12	2 000 943	1 694 794
Total assets		88 257 014	78 736 637
Equity			
Equity attributable to owners of the parent			
Stated capital	13	1 413 420	1 829 274
Treasury shares	13	(130 759)	(140 065)
Other reserves	14	(330 328)	(361 426)
Retained earnings		3 288 626	2 789 035
		4 240 959	4 116 818
Non-controlling interest	15	490 015	420 799
Total equity		4 730 974	4 537 617
Liabilities			
Deferred income tax liabilities	6	113 130	85 891
Lease liabilities	4	235 777	260 945
Insurance contracts	16	516 420	502 837
Derivative financial instruments	10	14 623	22 008
Investment contracts	17	40 177 057	35 993 332
Third-party liabilities arising on consolidation of mutual funds	18	39 670 804	34 286 692
Deferred reinsurance acquisition revenue	20	7 052	5 725
Trade and other payables	19	2 737 330	3 015 441
Current income tax liabilities		53 847	26 149
Total liabilities		83 526 040	74 199 020
Total equity and liabilities		88 257 014	78 736 637

Consolidated income statement

for the year ended 28 February 2023

	Notes	2023 R000	2022 R000
Gross written premium		1 918 645	1 675 100
Less: Reinsurance written premium		(702 402)	(588 251)
Net written premium		1 216 243	1 086 849
Change in unearned premium			
– Gross		(11 833)	25 287
– Reinsurers' share		2 906	2 749
Net insurance premium revenue		1 207 316	1 114 885
Revenue from contracts with customers and other operating income	21	4 963 948	4 647 908
Interest income on amortised cost financial instruments	22	108 424	69 521
Interest income on fair value through profit or loss financial instruments	22	149 260	93 147
Dividend income	22	7 341	4 891
Net fair value gains and losses on financial instruments	23	35 664	53 424
Net income attributable to investment contract holders and third-party liabilities	24	52 045	48 265
Total income		6 523 998	6 032 041
Insurance claims and loss adjustment expenses	25	(1 069 837)	(877 556)
Insurance claims and loss adjustment expenses recovered from reinsurers	25	376 014	281 233
Net insurance benefits and claims		(693 823)	(596 323)
Financial advice fees	26.1	(1 926 669)	(1 765 146)
Depreciation and amortisation	26.2	(174 004)	(168 493)
Employee benefit expenses	26.3	(1 318 796)	(1 243 333)
Marketing, administration and other expenses	26.4	(937 841)	(824 824)
Total expenses		(5 051 133)	(4 598 119)
Total (loss)/profit from joint ventures		(145)	75
Profit before finance costs and taxation		1 472 720	1 433 997
Finance costs	27	(36 472)	(34 385)
Profit before taxation		1 436 248	1 399 612
Taxation	28	(408 202)	(393 085)
Profit for the year		1 028 046	1 006 527
Attributable to:			
Owners of the parent		950 772	920 909
Non-controlling interest		77 274	85 618
		1 028 046	1 006 527
Earnings per share			
Basic earnings per share (cents)	29	73.1	69.7
Diluted earnings per share (cents)	29	71.0	68.9

Consolidated statement of comprehensive income

for the year ended 28 February 2023

	Note	2023 R000	2022 R000
Profit for the year		1 028 046	1 006 527
Other comprehensive income for the year, net of taxation	28	37 893	4 543
Items that are or may be reclassified to profit or loss:			
Currency translation adjustments		38 385	4 543
Other adjustments		(492)	–
Total comprehensive income for the year		1 065 939	1 011 070
Attributable to:			
Owners of the parent		988 665	925 452
Non-controlling interest		77 274	85 618
		1 065 939	1 011 070

Consolidated statement of changes in equity

for the year ended 28 February 2023

	Attributable to equity holders of the group					
	Stated capital R000	**Treasury shares R000**	**Other reserves[1] R000**	**Retained earnings R000**	**Non-controlling interest R000**	**Total R000**
Balance at 1 March 2021	1 938 859	(155 538)	(395 338)	2 216 920	344 199	3 949 102
Comprehensive income						
Profit for the year	–	–	–	920 909	85 618	1 006 527
Other comprehensive income for the year	–	–	4 543	–	–	4 543
Total comprehensive income for the year	–	–	4 543	920 909	85 618	1 011 070
Transactions with owners	(109 585)	15 473	29 369	(348 794)	(9 018)	(422 555)
Repurchase and cancellation of ordinary shares	(109 585)	–	–	–	–	(109 585)
Share-based payment costs	–	–	43 905	–	–	43 905
Treasury shares sold	–	19 608	–	–	–	19 608
Release of profits from treasury shares to retained earnings	–	(4 135)	–	4 135	–	–
Current tax on equity-settled share-based payments	–	–	4 343	–	–	4 343
Deferred tax on equity-settled share-based payments	–	–	37 837	–	–	37 837
Loss on issue of shares in terms of share scheme[2]	–	–	(59 065)	–	–	(59 065)
Release of share-based payment reserve to retained earnings on vested share options	–	–	2 349	(2 349)	–	–
Dividends paid	–	–	–	(350 580)	(9 018)	(359 598)
Balance at 28 February 2022	1 829 274	(140 065)	(361 426)	2 789 035	420 799	4 537 617
Comprehensive income						
Profit for the year	–	–	–	950 772	77 274	1 028 046
Other comprehensive income for the year	–	–	37 893	–	–	37 893
Total comprehensive income for the year	–	–	37 893	950 772	77 274	1 065 939
Transactions with owners	(415 854)	9 306	(6 795)	(451 181)	(8 058)	(872 582)
Repurchase and cancellation of ordinary shares	(415 854)	–	–	–	–	(415 854)
Share-based payment costs	–	–	51 746	–	–	51 746
Treasury shares sold	–	20 692	–	–	–	20 692
Release of profits from treasury shares to retained earnings	–	(11 386)	–	11 386	–	–
Current tax on equity-settled share-based payments	–	–	13 365	–	–	13 365
Deferred tax on equity-settled share-based payments	–	–	(13 038)	–	–	(13 038)
Loss on issue of shares in terms of share scheme[2]	–	–	(89 454)	–	–	(89 454)
Release of share-based payment reserve to retained earnings on vested share options	–	–	30 586	(30 586)	–	–
Dividends paid	–	–	–	(431 981)	(8 058)	(440 039)
Balance at 28 February 2023	1 413 420	(130 759)	(330 328)	3 288 626	490 015	4 730 974

[1] *Refer to note 14 for detail of the other reserves.*

[2] *Loss on sale of shares is recognised due to the market value of the shares transferred to the option holder being greater than the strike price paid.*

Consolidated statement of cash flows

for the year ended 28 February 2023

	Notes	2023 R000	2022 R000
Cash flows from operating activities			
Cash utilised in operations[1]	34.1	**(887 466)**	(700 653)
Interest received		**1 508 500**	1 155 930
Dividends received		**1 139 068**	711 558
Finance costs		**(36 472)**	(34 385)
Taxation paid	34.2	**(385 610)**	(389 444)
Operating cash flows before policyholder cash movement		**1 338 020**	743 006
Policyholder cash movement[2]		**(12 324)**	15 054
Net cash flow from operating activities		**1 325 696**	758 060
Cash flows from investing activities			
Acquisition of intangible assets		**(35 415)**	(39 651)
Proceeds from disposal of intangible assets		**1 244**	1 520
Acquisition of subsidiaries (including collective investment schemes)	34.3	**(169)**	–
Deconsolidation of mutual funds	34.4	**–**	(62 945)
Proceeds from disposal of assets and liabilities held for sale		**–**	7 483
Proceeds from disposal of property and equipment		**1 552**	1 253
Purchases of property and equipment		**(27 301)**	(24 302)
Loans advanced to joint ventures		**(677)**	(488)
Net cash flow from investing activities		**(60 766)**	(117 130)
Cash flows from financing activities			
Dividends paid to equity holders of the group		**(431 981)**	(350 580)
Dividends paid to non-controlling interest		**(8 058)**	(9 018)
Lease liabilities paid – principal portion		**(68 797)**	(58 978)
Treasury shares sold and share option settlement	13	**(68 762)**	(39 457)
Shares repurchased and cancelled	13	**(415 854)**	(109 585)
Net cash flow from financing activities		**(993 452)**	(567 618)
Net increase in cash and cash equivalents		**271 478**	73 312
Cash and cash equivalents at the beginning of the year		**1 694 794**	1 617 348
Exchange gains on cash and cash equivalents		**34 671**	4 134
Cash and cash equivalents at the end of the year	34.5	**2 000 943**	1 694 794

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[1] *The movement in cash utilised in operations can vary significantly as a result of daily fluctuations in cash linked to investment contracts and cash held by the stockbroking business. PSG Life, the group's linked insurance company, issues linked policies to policyholders (where the value of policy benefits is directly linked to the fair value of the supporting assets). When these policies mature, the company raises a debtor for the money receivable from the third-party investment provider, and raises a creditor for the amount owing to the client. A timing difference occurs at month-end where the money was received from the third-party investment provider, but only paid out by the company after month-end, resulting in significant fluctuations in the working capital of the company. Similar working capital fluctuations occur at PSG Securities Limited, the group's stockbroking business, mainly due to the timing of the close of the JSE in terms of client settlements. Refer to pages 142 and 143 for the impact of the client-related balances on the cash utilised in operations.*

[2] *The policyholder cash movement relates to the movement in the cash and cash equivalents backing the investment contract liabilities. Refer to note 17 for further detail.*

Summary of significant accounting policies

for the year ended 28 February 2023

The principal accounting policies applied in the preparation of these group and company financial statements are set out in Annexure A. The accounting policies applied are in terms of IFRS and are consistent with those applied in the previous annual financial statements.

1. Basis of preparation

The group and company financial statements of PSG Konsult Limited have been prepared in accordance with the JSE Listings Requirements and the requirements of the Companies Act. The JSE Listings Requirements require annual financial statements to be prepared in accordance with the framework concepts, and the recognition and measurement requirements of IFRS, as defined by IAS 1; the IFRIC interpretations; the SAICA Financial Reporting Guides, as issued by the Accounting Practices Committee; the Financial Reporting Pronouncements, as issued by the Financial Reporting Standards Council, and in the manner required by the Companies Act.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) classified as 'at fair value through profit or loss', long-term insurance contract liabilities that are measured in terms of the financial soundness valuation (FSV) basis as set out in Standard of Actuarial Practice (SAP) 104 – Calculation of the value of assets, liabilities and solvency capital requirement of long-term insurers and investment in a joint venture using the equity method of accounting.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated and separate financial statements are disclosed below.

The group did not early adopt any of the IFRS standards.

2. Critical accounting estimates and judgements in applying accounting policies

The group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2.1 Intangible assets

Initial recognition as part of a business combination

Intangible assets acquired as part of business combinations are recognised at their fair value. The fair value is determined by using a discounted cash flow valuation method based on assumptions and estimates regarding future revenue growth, weighted cost of capital, working capital and other economic factors. These assumptions reflect management's best estimates but are subject to inherent uncertainties, which may not be controlled by management.

The discount rate is based on the long-term risk-free rate with risk premiums added for market and other company and asset-specific risks. Intangible assets acquired through the business combination during the 2023 financial year was valued using a discount rate of 32.53%. No business combinations occurred during the 2022 financial year which resulted in the recognition of an intangible asset.

Useful lives of customer relationships

Intangible assets (excluding goodwill) are amortised over their estimated useful lives. The amortisation method used best reflects the pattern in which the asset's future economic benefits are consumed by the group.

The useful life of key customer relationships is estimated based on the historical customer attrition, the nature of the products sold and the age and expected life span of the adviser's service. A maximum useful life of 20 years was used for the other customer relationships recognised during the 2023 financial year (2022: maximum useful life of 20 years).

Refer to the intangible asset accounting policy in Annexure A and note 1 for further detail.

Estimated impairment

Goodwill is allocated to cash-generating units (CGUs) for the purpose of impairment testing. The group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy on goodwill. The recoverable amounts of CGUs have been determined by applying a price-earnings ratio to obtain the fair value less costs of disposal. The range of price-earnings ratios used varied from 5.0 to 7.5 (2022: 5.0 to 7.5). Where the fair value less costs of disposal is lower than the carrying value of the CGU, a value-in-use calculation is performed to determine the recoverable amount, which is the higher of the fair value less costs of disposal and the value in use.

Customer relationships are evaluated for indicators of impairment using the most recent price-earnings ratios for similar transactions in the market. The range of price-earnings ratios used varied from 5.0 to 7.5 (2022: 5.0 to 7.5). When these impairment tests indicated that the assets may need to be impaired, management assessed the recoverable amount of the CGUs based on value-in-use calculations. Refer to note 1 for further detail.

Segment reporting

for the year ended 28 February 2023

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

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

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

1. Description of business segments

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

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

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

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

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

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

2. Headline earnings per reportable segment

For the year ended 28 February 2023	**Wealth R000**	**Asset Management R000**	**Insure R000**	**Total R000**
Headline earnings[1]	**568 492**	**220 323**	**159 970**	**948 785**
– recurring	**568 492**	**220 323**	**159 970**	**948 785**
– non-recurring	**–**	**–**	**–**	**–**
Recurring headline earnings – excluding intangible asset amortisation cost[2]	**616 793**	**220 492**	**182 021**	**1 019 306**

For the year ended 28 February 2022	Wealth R000	Asset Management R000	Insure R000	Total R000
Headline earnings[1]	510 484	244 265	165 914	920 663
– recurring	510 484	244 265	165 914	920 663
– non-recurring	–	–	–	–
Recurring headline earnings – excluding intangible asset amortisation cost[2]	555 798	244 772	187 628	988 198

[1] *Headline earnings, calculated in terms of the requirements stipulated in Circular 1/2021 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. Refer to note 29 for the reconciliation of headline earnings to the profit attributable to ordinary shareholders.*

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

3. Income per reportable segment

For the year ended 28 February 2023	**Wealth R000**	**Asset Management R000**	**Insure R000**	**Total R000**
Total IFRS reported income	**3 313 320**	**787 287**	**2 423 391**	**6 523 998**
Linked investment business and other income	**(29 746)**	**–**	**–**	**(29 746)**
Total core income	**3 283 574**	**787 287**	**2 423 391**	**6 494 252**
Total segment income	**4 046 471**	**1 214 857**	**2 487 741**	**7 749 069**
Intersegment income	**(762 897)**	**(427 570)**	**(64 350)**	**(1 254 817)**

For the year ended 28 February 2022	Wealth R000	Asset Management R000	Insure R000	Total R000
Total IFRS reported income	3 005 491	799 296	2 227 254	6 032 041
Linked investment business and other income	6 576	–	–	6 576
Total core income	3 012 067	799 296	2 227 254	6 038 617
Total segment income	3 749 520	1 191 922	2 277 997	7 219 439
Intersegment income	(737 453)	(392 626)	(50 743)	(1 180 822)

Intersegment income and expenses consist of fees charged at market-related rates. The group accounts for intersegment income and expenses by eliminating these transactions to only reflect transactions with third parties. Intersegment income is eliminated by deducting it from total segment income to reflect income generated by segment from external customers.

The group mainly operates in the Republic of South Africa, with 92.8% (2022: 92.5%) of the total income from external customers (total IFRS reported income) generated in the Republic of South Africa.

Given the nature of the operations, there is no single external customer that provides 10% or more of the group's income (2022: none).

Segment reporting

for the year ended 28 February 2023

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 2023	Wealth R000	Asset Management R000	Insure R000	Total R000
Total income	3 283 574	787 287	2 423 391	6 494 252
Total expenses[1]	(2 456 325)	(492 939)	(2 108 283)	(5 057 547)
	827 249	294 348	315 108	1 436 705
Total loss from joint ventures	–	–	(145)	(145)
Profit before finance costs and taxation	827 249	294 348	314 963	1 436 560
Finance costs[2]	(29 143)	(2 902)	(4 427)	(36 472)
Profit before taxation	798 106	291 446	310 536	1 400 088
Taxation	(219 813)	(71 105)	(81 124)	(372 042)
Profit for the year	578 293	220 341	229 412	1 028 046
Attributable to:				
Owners of the parent	568 835	220 341	161 596	950 772
Non-controlling interest	9 458	–	67 816	77 274
	578 293	220 341	229 412	1 028 046
Headline and recurring headline earnings	568 492	220 323	159 970	948 785

For the year ended 28 February 2022	Wealth R000	Asset Management R000	Insure R000	Total R000
Total income	3 012 067	799 296	2 227 254	6 038 617
Total expenses[1]	(2 275 217)	(471 948)	(1 890 933)	(4 638 098)
	736 850	327 348	336 321	1 400 519
Total profit from joint ventures	–	–	75	75
Profit before finance costs and taxation	736 850	327 348	336 396	1 400 594
Finance costs[2]	(25 461)	(3 574)	(5 350)	(34 385)
Profit before taxation	711 389	323 774	331 046	1 366 209
Taxation	(191 373)	(79 496)	(88 813)	(359 682)
Profit for the year	520 016	244 278	242 233	1 006 527
Attributable to:				
Owners of the parent	510 834	244 278	165 797	920 909
Non-controlling interest	9 182	–	76 436	85 618
	520 016	244 278	242 233	1 006 527
Headline and recurring headline earnings	510 484	244 265	165 914	920 663

[1] *Depreciation and amortisation is included within total expenses and amounts to R113.0 million (2022: R108.0 million) for PSG Wealth, R9.6 million (2022: R10.1 million) for PSG Asset Management, and R51.4 million (2022: R50.4 million) for PSG Insure.*

[2] *The finance costs in the PSG Wealth division of R29.1 million (2022: R25.5 million) consist mainly of the finance charge on the lease liabilities of R14.9 million (2022: R15.5 million) with the remaining portion of the finance charge on the CFD margin and the bank overdrafts.*

5. Statement of financial position (client vs own)

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

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

As at 28 February 2023	Total IFRS reported R000	Own balances R000	Client-related balances R000
Assets			
Equity securities	3 488 019	38 750	3 449 269
Debt securities[1]	3 414 634	12 309	3 402 325
Unit-linked investments	75 198 943	2 406 655	72 792 288
Investment in investment contracts	9 685	–	9 685
Receivables including insurance receivables[1]	2 168 385	442 325	1 726 060
Derivative financial instruments	9 637	–	9 637
Cash and cash equivalents (including money market funds)[1]	2 000 943	1 901 836	99 107
Other assets[2]	1 966 768	1 966 768	–
Total assets	88 257 014	6 768 643	81 488 371
Equity			
Equity attributable to owners of the parent	4 240 959	4 240 959	–
Non-controlling interest	490 015	490 015	–
Total equity	4 730 974	4 730 974	–
Liabilities			
Investment contracts	40 177 057	–	40 177 057
Third-party liabilities arising on consolidation of mutual funds[1]	39 670 804	–	39 670 804
Derivative financial instruments	14 623	–	14 623
Trade and other payables[1]	2 737 330	1 111 443	1 625 887
Other liabilities[3]	926 226	926 226	–
Total liabilities	83 526 040	2 037 669	81 488 371
Total equity and liabilities	88 257 014	6 768 643	81 488 371

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

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

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

Segment reporting

for the year ended 28 February 2023

5. Statement of financial position (client vs own) (continued)

As at 28 February 2022	Total IFRS reported R000	Own balances R000	Client-related balances R000
Assets			
Equity securities	3 080 436	37 086	3 043 350
Debt securities[1]	3 920 219	14 110	3 906 109
Unit-linked investments	65 663 812	2 309 996	63 353 816
Investment in investment contracts	10 064	–	10 064
Receivables including insurance receivables[1]	2 382 777	410 028	1 972 749
Derivative financial instruments	13 153	–	13 153
Cash and cash equivalents (including money market funds)[1]	1 694 794	1 732 196	(37 402)
Other assets[2]	1 971 382	1 971 382	–
Total assets	78 736 637	6 474 798	72 261 839
Equity			
Equity attributable to owners of the parent	4 116 818	4 116 818	–
Non-controlling interest	420 799	420 799	–
Total equity	4 537 617	4 537 617	–
Liabilities			
Investment contracts	35 993 332	–	35 993 332
Third-party liabilities arising on consolidation of mutual funds[1]	34 286 692	–	34 286 692
Derivative financial instruments	22 008	–	22 008
Trade and other payables[1]	3 015 441	1 055 634	1 959 807
Other liabilities[3]	881 547	881 547	–
Total liabilities	74 199 020	1 937 181	72 261 839
Total equity and liabilities	78 736 637	6 474 798	72 261 839

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

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

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

6. Income statement (client vs own)

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

For the year ended 28 February 2023	Total IFRS reported R000	Core business R000	Linked investment business and other R000
Revenue from contracts with customers and other operating income[1]	4 963 948	4 986 247	(22 299)
Investment income[2]	265 025	265 025	–
Net fair value gains and losses on financial instruments	35 664	35 664	–
Net income attributable to investment contract holders and third-party liabilities	52 045	–	52 045
Net insurance premium revenue	1 207 316	1 207 316	–
Total income	6 523 998	6 494 252	29 746
Insurance claims and loss adjustment expenses	(1 069 837)	(1 069 837)	–
Other[1, 3]	(3 981 296)	(3 987 710)	6 414
Total expenses	(5 051 133)	(5 057 547)	6 414
Total loss from joint ventures	(145)	(145)	–
Profit before finance costs and taxation	1 472 720	1 436 560	36 160
Finance costs	(36 472)	(36 472)	–
Profit before taxation	1 436 248	1 400 088	36 160
Taxation	(408 202)	(372 042)	(36 160)
Profit for the year	1 028 046	1 028 046	–
Attributable to:			
Owners of the parent	950 772	950 772	–
Non-controlling interest	77 274	77 274	–
	1 028 046	1 028 046	–

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

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

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

6. Income statement (client vs own) (continued)

For the year ended 28 February 2022	Total IFRS reported R000	Core business R000	Linked investment business and other R000
Revenue from contracts with customers and other operating income[1]	4 647 908	4 702 749	(54 841)
Investment income[2]	167 559	167 559	–
Net fair value gains and losses on financial instruments	53 424	53 424	–
Net income attributable to investment contract holders and third-party liabilities	48 265	–	48 265
Net insurance premium revenue	1 114 885	1 114 885	–
Total income	6 032 041	6 038 617	(6 576)
Insurance claims and loss adjustment expenses	(877 556)	(877 556)	–
Other[1, 3]	(3 720 563)	(3 760 542)	39 979
Total expenses	(4 598 119)	(4 638 098)	39 979
Total profit from joint ventures	75	75	–
Profit before finance costs and taxation	1 433 997	1 400 594	33 403
Finance costs	(34 385)	(34 385)	–
Profit before taxation	1 399 612	1 366 209	33 403
Taxation	(393 085)	(359 682)	(33 403)
Profit for the year	1 006 527	1 006 527	–
Attributable to:			
Owners of the parent	920 909	920 909	–
Non-controlling interest	85 618	85 618	–
	1 006 527	1 006 527	–

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

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

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

7. Revenue from contracts with customers and other operating income

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

According to division

For the year ended 28 February 2023	Wealth R000	Asset Management R000	Insure R000	Total R000
Revenue from contracts with customers	**3 113 551**	**775 370**	**862 783**	**4 751 704**
Other operating income	**11 510**	**(2 237)**	**225 270**	**234 543**
	3 125 061	**773 133**	**1 088 053**	**4 986 247**

For the year ended 28 February 2022	Wealth R000	Asset Management R000	Insure R000	Total R000
Revenue from contracts with customers	2 899 543	789 514	807 379	4 496 436
Other operating income	5 282	(1 298)	202 329	206 313
	2 904 825	788 216	1 009 708	4 702 749

According to nature of the revenue

	2023 R000	2022 R000
Revenue from contracts with customers		
Dealing and structuring (including brokerage)		
– Brokerage[1]	**191 269**	214 943
– Offshore brokerage commission[1]	**108 518**	110 050
– Other dealing and structuring income[2]	**160 118**	127 541
Commission, administration and other fees[3]		
– Commission income[4]	**1 906 774**	1 766 355
– Administration fees[4]	**606 942**	554 054
– Other fees[5]	**63 582**	55 019
Management and performance fees (including rebates)[4, 6]	**1 615 920**	1 571 199
Policy administration fees[4, 7]	**98 581**	97 275
	4 751 704	4 496 436
Other operating income		
Reinsurance commission income	**207 442**	185 175
Other	**27 101**	21 138
	234 543	206 313
	4 986 247	4 702 749

[1] *Brokerage and offshore brokerage commission earned by PSG Wealth is recognised at a point in time.*

[2] *The other dealing and structuring income includes R128.3 million (2022: R103.0 million) revenue recognised over time by PSG Wealth, with the balance of this revenue being recognised at a point in time.*

[3] *Commission, administration and other fees are generated by PSG Wealth and PSG Insure.*

[4] *This revenue from contracts with customers is recognised over time.*

[5] *The other fees include revenue recognised at a point in time and over time, with the majority of this revenue being recognised over time.*

[6] *Management and performance fees are earned by PSG Asset Management and PSG Wealth.*

[7] *Policy administration fees are recognised by PSG Insure.*

Segment reporting

for the year ended 28 February 2023

8. Statement of cash flows (client vs own)

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

For the year ended 28 February 2023	Total IFRS reported R000	Own balances R000	Client-related balances R000
Cash flow from operating activities	1 325 696	1 189 395	136 301
Cash (utilised in)/generated by operations	(887 466)	1 334 067	(2 221 533)
Interest received	1 508 500	257 684	1 250 816
Dividends received	1 139 068	7 341	1 131 727
Finance costs	(36 472)	(36 472)	–
Taxation paid	(385 610)	(373 225)	(12 385)
Policyholder cash movement	(12 324)	–	(12 324)
Cash flow from investing activities	(60 766)	(60 974)	208
Acquisition of subsidiaries (including collective investment schemes)	(169)	(377)	208
Other[1]	(60 597)	(60 597)	–
Cash flow from financing activities	(993 452)	(993 452)	–
Net increase in cash and cash equivalents	271 478	134 969	136 509
Cash and cash equivalents at the beginning of the year[2]	1 694 794	1 732 196	(37 402)
Exchange gains on cash and cash equivalents	34 671	34 671	–
Cash and cash equivalents at the end of the year[2]	2 000 943	1 901 836	99 107

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

[2] *The client-related balances include the impact of the consolidation entries relating to the PSG Money Market Fund. The cash invested therein is derecognised and all of the fund's underlying highly liquid debt securities, receivables and trade and other payables are recognised.*

8. Statement of cash flows (client vs own) (continued)

For the year ended 28 February 2022	Total IFRS reported R000	Own balances R000	Client-related balances R000
Cash flow from operating activities	758 060	737 784	20 276
Cash (utilised in)/generated by operations[1]	(700 653)	982 761	(1 683 414)
Interest received	1 155 930	162 668	993 262
Dividends received	711 558	4 891	706 667
Finance costs	(34 385)	(34 385)	–
Taxation paid	(389 444)	(378 151)	(11 293)
Policyholder cash movement	15 054	–	15 054
Cash flow from investing activities	(117 130)	(54 185)	(62 945)
Deconsolidation of mutual funds	(62 945)	–	(62 945)
Other[2]	(54 185)	(54 185)	–
Cash flow from financing activities	(567 618)	(567 618)	–
Net increase/(decrease) in cash and cash equivalents	73 312	115 981	(42 669)
Cash and cash equivalents at the beginning of the year[3]	1 617 348	1 612 081	5 267
Exchange gains on cash and cash equivalents	4 134	4 134	–
Cash and cash equivalents at the end of the year[3]	1 694 794	1 732 196	(37 402)

[1] *The cash generated by operations under own balances includes R435.0 million excess short-term cash transferred to unit-linked investments that invest mainly in cash, money market and related instruments to enhance investment income yield.*

[2] *Other consists of cash flows relating to the 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.*

[3] *The client-related balances include the impact of the consolidation entries relating to the PSG Money Market Fund. The cash invested therein is derecognised and all of the fund's underlying highly liquid debt securities, receivables and trade and other payables are recognised.*

Notes to the group financial statements

for the year ended 28 February 2023

1. Intangible assets

	Goodwill R000	Deferred acquisition costs R000	Customer relation-ships R000	Other intangibles R000	Total R000
As at 28 February 2023					
Cost	485 790	34 290	1 315 938	22 841	1 858 859
Accumulated amortisation and impairment	(74 087)	(16 232)	(559 374)	(22 677)	(672 370)
Balance at the end of the year	411 703	18 058	756 564	164	1 186 489
Reconciliation					
Balance at the beginning of the year	411 703	18 401	798 945	124	1 229 173
Additions	–	1 243	23 650	119	25 012
Disposals	–	–	(223)	–	(223)
Acquisition of subsidiaries (refer to note 34.3)	–	–	3 048	–	3 048
Amortisation	–	(1 586)	(68 856)	(79)	(70 521)
Balance at the end of the year	411 703	18 058	756 564	164	1 186 489
As at 28 February 2022					
Cost	485 790	33 047	1 289 654	33 764	1 842 255
Accumulated amortisation and impairment	(74 087)	(14 646)	(490 709)	(33 640)	(613 082)
Balance at the end of the year	411 703	18 401	798 945	124	1 229 173
Reconciliation					
Balance at the beginning of the year	411 703	17 676	824 300	141	1 253 820
Additions	–	2 522	46 033	63	48 618
Disposals	–	–	(3 853)	–	(3 853)
Amortisation	–	(1 797)	(67 535)	(80)	(69 412)
Balance at the end of the year	411 703	18 401	798 945	124	1 229 173

Included in other intangibles is computer software to the value of R0.12 million (2022: R0.07 million).

1. Intangible assets (continued)

Customer relationships

The CGU groups to which the customer relationships balance relates to is as follows:

CGU group	Reportable segment	2023 R000	2022 R000
Wealth distribution	PSG Wealth	374 088	385 334
Products and platform	PSG Wealth	140 015	153 480
Securities	PSG Wealth	24 705	27 290
Asset management	PSG Asset Management	–	169
Short-term distribution	PSG Insure	191 793	205 664
Short-term administration	PSG Insure	12 037	14 688
Short-term licence business	PSG Insure	13 926	12 320
		756 564	798 945

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

		Remaining amortisation period		Carrying value	
Individual CGU	CGU group	2023	2022	2023 R000	2022 R000
Wealth adviser office (no.8)	Products and platform	12 years and 5 months	13 years and 5 months	88 854	96 010
Wealth adviser office (no.4)	Products and platform	8 years	9 years	48 518	54 583
AIFA commercial and industrial	Short-term distribution	15 years and 3 months	16 years and 3 months	45 111	48 069
Wealth adviser office (no.1)	Wealth distribution	11 years	12 years	29 977	32 703
AIFA personal lines	Short-term distribution	15 years and 9 months	16 years and 9 months	27 713	29 472
Wealth adviser office (no.2)	Wealth distribution	11 years	12 years	22 173	24 189
Multinet Makelaars	Short-term distribution	3 years and 1 month	4 years and 1 month	12 299	16 235
Wealth adviser office (no.3)	Wealth distribution	13 years and 3 months	14 years and 3 months	10 800	11 615
Diagonal Street Financial Services	Short-term distribution, Short-term administration	7 years and 6 months	8 years and 6 months	8 839	10 018
Wealth adviser office (no.6)	Products and platform	10 years	11 years	8 280	9 106
Wealth adviser office (no.7)	Wealth distribution	15 years	16 years	8 324	8 879
Tlotlisa Securities (T-Sec)	Wealth distribution, Securities	6 years and 2 months	7 years and 2 months	7 400	8 600
Wealth adviser office (no.10)	Short-term distribution	18 years and 10 months	19 years and 10 months	8 115	8 546
Wealth adviser office (no.9)	Wealth distribution	17 years and 7 months	18 years and 7 months	6 642	7 929
Insurance Solutions	Short-term licence business	7 years	8 years	6 160	7 040
				339 205	372 994

The above mentioned individual customer relationships relate to the original acquisitions of the respective books of business and/or entities and now form part of a larger CGU group.

1. Intangible assets (continued)

Customer relationships (continued)

Customer relationships are amortised over a maximum period of 20 years, which represents management's best estimate of the period over which economic benefits are expected to be derived. This estimate is based on the historical customer attrition, the nature of the products sold and the age and expected life span of the adviser's service.

The amortisation charge on the customer relationships for the year ended 28 February 2023 was R68.9 million (2022: R67.5 million). The amortisation charge is sensitive to the rate of attrition of the client base which impacts management's useful life assessment, which is illustrated in the table below:

Assumptions	Scenario 1 Years	Scenario 2 Years	Scenario 1 Amortisation charge on customer relationships would have increased to R000	Scenario 2 Amortisation charge on customer relationships would have increased to R000
28 February 2023				
Amortisation period	**15**	**10**	**86 227**	**129 340**
28 February 2022				
Amortisation period	15	10	84 740	127 110

Goodwill

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

CGU group	Reportable segment	2023 R000	2022 R000
Wealth distribution	PSG Wealth	**122 426**	122 426
Products and platform	PSG Wealth	**18 728**	18 728
Securities	PSG Wealth	**23 974**	23 974
Asset management	PSG Asset Management	**8 719**	8 719
Short-term distribution	PSG Insure	**156 203**	156 203
Short-term administration	PSG Insure	**7 458**	7 458
Short-term licence business	PSG Insure	**74 195**	74 195
		411 703	411 703

For impairment testing purposes, goodwill is allocated to CGUs at the lowest level of operating activity to which it relates. The wealth distribution and short-term distribution CGU groups are assessed at an individual adviser office level. The following are the material offices to which goodwill was allocated:

Individual CGU	CGU group	2023 R000	2022 R000
100% offices	Short-term distribution	**99 170**	99 170
Advance Wealth Management	Wealth distribution	**50 310**	50 310
Tlotlisa Securities (T-Sec)	Wealth distribution, Securities	**37 366**	37 366
AIFA commercial and industrial	Short-term distribution	**20 798**	20 798
AIFA personal lines	Short-term distribution	**9 868**	9 868
Wealth adviser office (no.5)	Wealth distribution	**9 466**	9 466
Insure adviser office (no.1)	Short-term distribution	**9 047**	9 047
Wealth adviser office (no.2)	Wealth distribution	**7 457**	7 457
Insure adviser office (no.2)	Short-term distribution	**6 574**	6 574
		250 056	250 056

1. Intangible assets (continued)

Impairment assessment

When goodwill is evaluated for impairment on an annual basis, we use a PE ratio calculation to identify potential indicators of impairment. The PE ratio is multiplied by the current year earnings of the CGU, to which the goodwill was allocated, to determine the fair value less costs of disposal. PE ratios used by management are determined with reference to similar listed companies adjusted for specific risks associated to the CGU, as well as recent transactions that occurred within the group. The range of PE ratios used varied from 5.0 to 7.5 (2022: 5.0 to 7.5).

Customer relationships were evaluated for indicators of impairment using the most recent PE ratios for similar transactions in the market. The range of PE ratios used varied from 5.0 to 7.5 (2022: 5.0 to 7.5).

Where there were indicators of impairment on customer relationships or the fair value less costs of disposal of a CGU to which goodwill was allocated was lower than the carrying value, management determined the value in use. The recoverable amount is the higher of the fair value less costs of disposal and the value in use. The value-in-use calculations use cash flow projections based on financial budgets approved by management covering no longer than a five-year planning period. Where appropriate, cash flows were extrapolated into perpetuity by using a terminal growth rate model.

A key input used in the models to determine the value in use of the CGUs is the pre-tax discount rate applied to management's forecast cash flows, which reflects the current market assessments of the time value of money and the risk specific to the CGU. The assumptions have been disclosed below:

	2023 %	2022 %
Risk-free rate (2023: R2030; 2022: R2030)	**9.7**	9.4
Tax rate	**27.0**	28.0
Growth rate	**4.0**	4.0
Terminal growth rate	**4.5**	4.5
Discount rate	**19.5**	18.9

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

For those CGU groups where a value-in-use calculation was performed, a sensitivity analysis was performed on the calculated value. For the 2023 financial year, a 10% increase/decrease in the discount rate would result in a 12% decrease and 16% increase, respectively, to the calculated value in use. No value-in-use calculations were required in the 2022 financial year. Management has considered and assessed reasonably possible changes in key assumptions and have not identified any instances that could cause the carrying amount of the CGU groups to exceed the value in use. These sensitivities and other relevant factors were considered in management's determination that no intangible assets need to be impaired (2022: Rnil).

Notes to the group financial statements

for the year ended 28 February 2023

2. Property and equipment

	Motor vehicles R000	Office equipment R000	Computer equipment R000	Total R000
As at 28 February 2023				
Cost	1 464	158 577	162 135	322 176
Accumulated depreciation and impairment	(1 325)	(114 718)	(131 443)	(247 486)
Balance at the end of the year	139	43 859	30 692	74 690
Reconciliation				
Balance at the beginning of the year	77	49 006	37 093	86 176
Additions	100	10 476	16 725	27 301
Disposals	–	(393)	(438)	(831)
Depreciation	(78)	(15 434)	(22 803)	(38 315)
Exchange differences	–	33	15	48
Acquisition of subsidiaries (refer to note 34.3)	40	171	100	311
Balance at the end of the year	139	43 859	30 692	74 690
As at 28 February 2022				
Cost	1 247	150 980	152 508	304 735
Accumulated depreciation and impairment	(1 170)	(101 974)	(115 415)	(218 559)
Balance at the end of the year	77	49 006	37 093	86 176
Reconciliation				
Balance at the beginning of the year	373	56 150	43 016	99 539
Additions	–	9 426	14 876	24 302
Disposals	(149)	(309)	(287)	(745)
Depreciation	(147)	(16 264)	(20 510)	(36 921)
Exchange differences	–	3	(2)	1
Balance at the end of the year	77	49 006	37 093	86 176

Depreciation expense of R38.3 million (2022: R36.9 million) has been charged as part of depreciation and amortisation as disclosed in note 26.2.

3. Right-of-use assets

	Buildings R000
As at 28 February 2023	
Cost	346 989
Accumulated depreciation and impairment	(176 581)
Balance at the end of the year	170 408
Reconciliation	
Balance at the beginning of the year	191 698
Additions	30 013
Modifications	14 803
Terminations	(1 252)
Depreciation	(65 168)
Exchange differences	314
Balance at the end of the year	170 408
As at 28 February 2022	
Cost	325 454
Accumulated depreciation and impairment	(133 756)
Balance at the end of the year	191 698
Reconciliation	
Balance at the beginning of the year	210 699
Additions	45 267
Modifications	8 099
Terminations	(10 234)
Depreciation	(62 160)
Exchange differences	27
Balance at the end of the year	191 698

Depreciation expense of R65.2 million (2022: R62.2 million) has been charged as part of depreciation and amortisation as disclosed in note 26.2.

Notes to the group financial statements

for the year ended 28 February 2023

4. Lease liabilities

	2023 R000	2022 R000
Balance at the beginning of the year	**260 945**	277 780
Additions	**30 013**	45 267
Lease payments[1]	**(92 721)**	(85 201)
Modifications	**14 803**	7 946
Terminations	**(1 367)**	(10 955)
Finance cost	**23 924**	26 223
Exchange differences	**180**	(115)
Balance at the end of the year	**235 777**	260 945
Current portion	**70 132**	62 431
Non-current portion	**165 645**	198 514
	235 777	260 945
Maturity analysis – contractual undiscounted cash flows		
Less than 1 year	**89 366**	84 297
Between 1 and 5 years	**178 641**	218 103
Over 5 years	**13 057**	18 699
Total	**281 064**	321 099
Exposure to potential undiscounted cash flows which are not included in the lease liability:		
Extension options	**102 352**	91 800

[1] *The lease payments include interest of R23.9 million (2022: R26.2 million), which has been presented on the statement of cash flows within operating activities (as finance costs). The capital repayments of R68.8 million (2022: R59.0 million) have been disclosed within financing activities.*

5. Investment in joint ventures

	2023 R000	2022 R000
Unlisted ordinary share investments	**976**	1 121
Reconciliation		
Balance at the beginning of the year	**1 121**	1 046
Share of (losses)/profits after taxation	**(145)**	75
Balance at the end of the year	**976**	1 121
Carrying value		
Shares at cost	**8 524**	8 524
Share of profits and reserves since acquisition	**9 765**	9 910
Dividends received	**(17 313)**	(17 313)
Balance at the end of the year	**976**	1 121
Loan granted to joint venture[1]	**7 935**	7 258
Jan Jonker Property Investment Trust		
Unsecured loan bearing interest at Namibian prime rate plus 2% with no repayment terms	**7 935**	7 258

[1] *The loan granted to the joint venture is recoverable on demand and is included under note 11 (Receivables including insurance receivables).*

PSG Konsult Limited obtained the investment in Jan Jonker Property Investment Trust through the acquisition of the subsidiary, Western Group Holdings Limited, on 1 November 2012.

6. Deferred income tax

	2023 R000	2022 R000
Analysis of the net deferred income tax balance[1]:		
Deferred income tax assets	**125 613**	134 311
Deferred income tax liabilities	**(113 130)**	(85 891)
Net deferred income tax assets	**12 483**	48 420
Deferred income tax assets		
To be recovered within 12 months	**138 658**	142 939
To be recovered after 12 months[2]	**(13 045)**	(8 628)
	125 613	134 311
Deferred income tax liabilities		
To be recovered within 12 months	**(2 163)**	(790)
To be recovered after 12 months	**(110 967)**	(85 101)
	(113 130)	(85 891)

[1] *Calculated on a net basis per subsidiary company, assuming that a company either has a deferred income tax asset or liability.*

[2] *One subsidiary company in the group reported a net deferred income tax asset at 28 February 2023 and 28 February 2022, with a credit balance for the deferred income tax asset's non-current portion. This represents a non-current deferred income tax liability that exceeds the non-current deferred income tax asset and a current deferred income tax asset that exceeds the current deferred income tax liability.*

	2023 R000	2022 R000
The gross movement of the deferred income tax is as follows:		
Balance at the beginning of the year	**48 420**	1 081
Other movements	**(12)**	(25)
Acquisition of subsidiaries (refer to note 34.3)	**(651)**	–
Tax (charge)/credit to equity	**(13 038)**	37 837
(Charge)/credit to profit or loss	**(22 236)**	9 527
Balance at the end of the year	**12 483**	48 420

Creation of deferred tax assets and recognition of deferred tax liabilities

The deferred income tax assets and liabilities were calculated in full on all temporary differences under the liability method using an effective tax rate of 28% (2022: 28%) in South Africa and the official tax rates in the foreign subsidiaries, where applicable.

The recoverability of the deferred income tax assets was assessed, as set out in the accounting policies in Annexure A. Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through the future taxable profits is possible.

The deferred income tax asset of R4.6 million (2022: R6.2 million) raised due to tax losses relates to subsidiaries that have suffered a loss in the previous few financial years. Based on approved budgets prepared by management of these subsidiaries, the group considers it probable that the deferred income tax asset will be used against future taxable profits. The group has unused accumulated losses of R4.7 million (2022: R3.8 million) for which no deferred income tax asset has been raised.

6. Deferred income tax (continued)

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

Deferred income tax assets	**Deferred revenue R000**	**Provisions for other liabilities and charges R000**	**Lease liabilities R000**	**Tax losses carried forward R000**	**Accruals not currently deductible and other differences R000**	**Total R000**
Carrying value at 1 March 2021	4 985	48 081	77 096	7 138	63 666	200 966
Credit/(charge) to profit or loss	202	12 179	(3 884)	(912)	24 065	31 650
Credit to equity	–	37 837	–	–	–	37 837
Other movements[2]	–	(4)	–	(20)	–	(24)
Carrying value at 28 February 2022	5 187	98 093	73 212	6 206	87 731	270 429
(Charge)/credit to profit or loss	**(103)**	**3 303**	**(7 002)**	**(1 612)**	**1 164**	**(4 250)**
Charge to equity	**–**	**(13 038)**	**–**	**–**	**–**	**(13 038)**
Acquisition of subsidiaries (refer to note 34.3)	**–**	**172**	**–**	**–**	**–**	**172**
Other movements[2]	**–**	**–**	**–**	**(11)**	**–**	**(11)**
Carrying value at 28 February 2023	**5 084**	**88 530**	**66 210**	**4 583**	**88 895**	**253 302**

Deferred income tax liabilities	**Deferred acquisition cost R000**	**Prepaid expenses R000**	**Unrealised appreciation of investments R000**	**Right-of-use assets R000**	**Other intangible assets R000**	**Foreign exchange and other R000**	**Total R000**
Carrying value at 1 March 2021	(4 950)	(2 828)	(65 706)	(58 327)	(65 146)	(2 928)	(199 885)
(Charge)/credit to profit or loss	(202)	(1 389)	(32 087)	4 532	6 423	600	(22 123)
Other movements[2]	–	–	(1)	–	–	–	(1)
Carrying value at 28 February 2022	(5 152)	(4 217)	(97 794)	(53 795)	(58 723)	(2 328)	(222 009)
Credit/(charge) to profit or loss	**95**	**(1 704)**	**(28 983)**	**5 890**	**6 544**	**172**	**(17 986)**
Acquisition of subsidiaries (refer to note 34.3)	–	–	–	**–**	**(823)**	–	**(823)**
Other movements[2]	**–**	**–**	**(1)**	**–**	**–**	**–**	**(1)**
Carrying value at 28 February 2023	**(5 057)**	**(5 921)**	**(126 778)**	**(47 905)**	**(53 002)**	**(2 156)**	**(240 819)**

[1] *The movement schedule shows the deferred tax on a gross basis, i.e. breaks the respective entities' net deferred income tax asset/liability into the various categories.*

[2] *The other movements mainly relate to the deferred tax impact of the exchange differences on the conversion of the group's foreign subsidiaries.*

7. Reinsurance assets

	2023 R000	2022 R000
Reinsurers' share of insurance liabilities	**143 707**	131 195
Balance at the beginning of the year	**131 195**	234 127
Movement for the year[1]	**12 512**	(102 932)
Total assets arising from reinsurance contracts	**143 707**	131 195
Current portion	**143 707**	131 195
Non-current portion	**–**	–
	143 707	131 195

[1] *Refer to note 16 for further detail regarding the movement in reinsurance assets.*

Amounts due from reinsurers in respect of claims already paid by the group on the contracts that are reinsured, are included under note 11 (Receivables including insurance receivables).

8. Loans and advances

	2023 R000	2022 R000
Secured		
Loans to short-term insurance clients (i)	**97**	1 718
Loans to financial advisers (ii)	**142 618**	104 309
	142 715	106 027
Unsecured		
Loans to financial advisers (ii)	**49 808**	47 335
Loans with non-controlling interest (iii)	**468**	468
Other (iii)	**965**	984
	51 241	48 787
Total loans and advances	**193 956**	154 814
Current portion	**89 422**	85 322
Non-current portion	**104 534**	69 492
	193 956	154 814

8. Loans and advances (continued)

(i) Loans to short-term insurance clients

- These loans are mainly through Hi-Five Corporate Finance Proprietary Limited, a subsidiary of Western Group Holdings Limited
- They accrue interest at rates ranging between 6.35% and 8.10% (2022: 5.10% and 8.10%)
- The repayment terms and conditions of the loans are negotiated on a case-by-case basis

(ii) Loans to financial advisers

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

- R141.0 million (2022: R102.7 million) is repayable by monthly instalments and the effective interest rates applied range between 10.13% and 11.13% (2022: 8.09% and 9.09%)
- R1.6 million (2022: R1.6 million) is interest-free and repayable on demand

The unsecured loans to financial advisers balance consists of:

- R8.0 million (2022: R9.3 million) is repayable by monthly instalments and the effective interest rates applied range between 10.13% and 11.13% (2022: 8.09% and 9.09%)
- R44.4 million (2022: R40.2 million) is interest-free and repayable on demand
- An expected credit loss of R2.6 million (2022: R2.2 million)

(iii) Other loans and advances

The remaining loans and advances consist of balances which are interest-free and repayable on demand.

Analysis of loans to financial advisers

The loans to financial advisers have been categorised as follows:

Category	Description
Stage 1	These are loans which are up-to-date with no indication of a significant increase in credit risk.
Stage 2	These are loans which have had a significant increase in credit risk, but are not credit impaired, due to the following: • the adviser's books of business are not performing as expected; or • the adviser has missed repayments, other than due to the group's administrative reasons, and this has not been rectified within a month.
Stage 3	These are loans which have assessed to be credit impaired a result of: • the adviser no longer being employed by the group; • legal is trying to recover the loan; or • the loan is more than three months in arrears.
Write-off	Loans are written off when there is no reasonable expectation of further recovery.

8. Loans and advances (continued)

Reconciliation of loans to financial advisers (excluding expected credit loss allowance)

	Stage 1 R000	Stage 2 R000	Stage 3 R000	Total R000
Carrying value at 1 March 2021	162 072	6 170	517	168 759
New loans granted/advances on existing loans	64 552	5 160	–	69 712
Loan repayments/derecognised (excluding write-offs)	(87 276)	(7 872)	(53)	(95 201)
Interest accrued for the year	10 154	556	–	10 710
Transfers between stages	2 472	(2 638)	166	–
Write-offs	–	–	(91)	(91)
Carrying value at 28 February 2022	151 974	1 376	539	153 889
New loans granted/advances on existing loans	**120 761**	**1 219**	**–**	**121 980**
Loan repayments/derecognised (excluding write-offs)	**(92 898)**	**(1 138)**	**(53)**	**(94 089)**
Interest accrued for the year	**13 440**	**161**	**–**	**13 601**
Transfers between stages	**(1 625)**	**849**	**776**	**–**
Write-offs	**–**	**–**	**(340)**	**(340)**
Carrying value at 28 February 2023	**191 652**	**2 467**	**922**	**195 041**

Under IFRS 9, loss allowances for loans to financial advisers are measured under the general expected credit loss model.

Reconciliation of expected credit loss allowance on loans to financial advisers

	Stage 1 R000	Stage 2 R000	Stage 3 R000	Total R000
Carrying value at 1 March 2021	(802)	(2 916)	(517)	(4 235)
Credit/(charge) to profit or loss				
In respect of financial assets originated during the year	139	(393)	(82)	(336)
In respect of financial assets originated during prior years	(363)	2 628	(30)	2 235
Transfers between stages	1	–	(1)	–
Write-offs	–	–	91	91
Carrying value at 28 February 2022	(1 025)	(681)	(539)	(2 245)
(Charge)/credit to profit or loss				
In respect of financial assets originated during the year	**(47)**	**(157)**	**–**	**(204)**
In respect of financial assets originated during prior years	**938**	**(801)**	**(643)**	**(506)**
Transfers between stages	**(656)**	**736**	**(80)**	**–**
Write-offs	**–**	**–**	**340**	**340**
Carrying value at 28 February 2023	**(790)**	**(903)**	**(922)**	**(2 615)**

9. Financial instruments

Instrument per category	2023 Fair value through profit or loss R000	2022 Fair value through profit or loss R000
Debt securities	**3 414 634**	3 920 219
Unit-linked investments	**75 198 943**	65 663 812
Equity securities	**3 488 019**	3 080 436
Investment in investment contracts	**9 685**	10 064
	82 111 281	72 674 531

9.1 Debt securities

Reconciliation	2023 R000	2022 R000
Balance at the beginning of the year	**3 920 219**	3 847 637
Additions	**7 800 148**	8 554 997
Disposals	**(6 201 098)**	(4 594 471)
Maturities	**(2 341 006)**	(4 092 771)
Unrealised fair value net gains/(losses)	**8 657**	(9 028)
Realised gains	**79**	24 623
Interest and dividends	**227 635**	189 232
Balance at the end of the year	**3 414 634**	3 920 219

	2023 R000	2022 R000
Direct investments		
Consolidated collective investment schemes	**3 402 325**	3 586 748
Own balances	**12 309**	14 110
Investments linked to investment contracts	**–**	319 361
	3 414 634	3 920 219
Current portion	**2 246 416**	2 220 889
Non-current portion	**1 168 218**	1 699 330
	3 414 634	3 920 219

9. Financial instruments (continued)

9.2 Unit-linked investments

Reconciliation	2023 R000	2022 R000
Balance at the beginning of the year	**65 663 812**	61 790 947
Additions	**10 919 428**	21 316 624
Acquisition of subsidiaries (refer to note 34.3)	**1 485**	–
Disposals	**(7 509 427)**	(16 423 521)
Deconsolidation of mutual funds (refer to note 34.4)	**–**	(9 401 377)
Exchange differences	**83**	3
Unrealised fair value net gains	**3 465 937**	5 307 498
Realised gains	**510 566**	1 556 490
Interest and dividends	**2 147 059**	1 517 148
Balance at the end of the year	**75 198 943**	65 663 812

	2023 R000	2022 R000
Direct investments		
Consolidated collective investment schemes	**36 108 789**	30 780 187
Own balances	**2 406 655**	2 309 996
Investments linked to investment contracts	**36 683 499**	32 573 629
	75 198 943	65 663 812
Current portion	**3 646 490**	3 429 301
Non-current portion	**71 552 453**	62 234 511
	75 198 943	65 663 812

9. Financial instruments (continued)

9.3 Equity securities

Reconciliation	**2023 R000**	2022 R000
Balance at the beginning of the year	**3 080 436**	2 577 300
Additions	**445 505**	395 977
Disposals	**(190 419)**	(278 386)
Unrealised fair value net gains	**67 318**	330 336
Exchange differences	**1 539**	(362)
Realised (losses)/gains	**(7 763)**	8 251
Dividends and interest	**91 403**	47 320
Balance at the end of the year	**3 488 019**	3 080 436

	2023 R000	2022 R000
Direct investments		
Consolidated collective investment schemes	**–**	–
Own balances	**38 750**	37 086
Investments linked to investment contracts	**3 449 269**	3 043 350
	3 488 019	3 080 436
Current portion	**378 676**	372 032
Non-current portion	**3 109 343**	2 708 404
	3 488 019	3 080 436

9. Financial instruments (continued)

9.4 Investment in investment contracts

Reconciliation	**2023 R000**	2022 R000
Balance at the beginning of the year	**10 064**	14 402
Investment contract premiums received	**417**	–
Investment contracts benefits paid	**(1 490)**	(3 976)
Fair value adjustment and reinvestments to investment contracts	**694**	(362)
Balance at the end of the year	**9 685**	10 064

	2023 R000	**2022 R000**
Investments linked to investment contracts	**9 685**	10 064
Current portion	**–**	–
Non-current portion	**9 685**	10 064
	9 685	10 064

10. Derivative financial instruments

	2023 R000	2022 R000
Derivative financial assets	**9 637**	13 153
Derivative financial liabilities	**(14 623)**	(22 008)
Net derivative financial instruments	**(4 986)**	(8 855)
Derivative financial assets		
Current portion	**9 637**	13 153
Non-current portion	**–**	–
	9 637	13 153
Derivative financial liabilities		
Current portion	**(14 623)**	(22 008)
Non-current portion	**–**	–
	(14 623)	(22 008)
Analysis of net derivative balance		
Equity traded derivatives		
Contracts for difference	**(4 986)**	(8 855)
Reconciliation of net derivative balance		
Balance at the beginning of the year	**(8 855)**	(3 046)
Additions	**3 869**	–
Disposals	**–**	(5 809)
Balance at the end of the year	**(4 986)**	(8 855)

The notional principal amounts of the outstanding contracts for difference assets and liabilities at 28 February 2023 were R152.3 million (2022: R145.1 million) and R157.5 million (2022: R155.4 million) respectively.

11. Receivables including insurance receivables

	2023 R000	2022 R000
Trade receivables	**151 315**	124 095
Receivables due from related parties (refer to note 33) (i)	**120 932**	117 497
Prepayments	**34 453**	24 634
Brokers and clearing houses and client accounts (ii)	**1 707 522**	1 953 229
Rental and other deposits	**5 098**	5 006
VAT receivable	**811**	8 051
Contracts for difference (iii)	**25 084**	26 246
Sundry debtors	**55**	136
	2 045 270	2 258 894
Receivables due from contract holders and reinsurers[1]		
Due from contract holders	**92 239**	82 821
Due from intermediaries	**17 711**	19 138
Due from reinsurers	**13 165**	21 924
	123 115	123 883
Total receivables including insurance receivables[2]	**2 168 385**	2 382 777
Current portion	**2 160 450**	2 375 519
Non-current portion	**7 935**	7 258
	2 168 385	2 382 777

[1] *The receivables due from contract holders and reinsurers are accounted for in terms of IFRS 4.*

[2] *Includes non-financial assets of R35.3 million (2022: R33.0 million).*

All non-current receivables are due within five years from the end of the reporting period.

(i) Receivables due from related parties

- Includes balances of R7.9 million (2022: R7.3 million) that accrue interest. The effective interest rate applied to these balances is 11.11% (2022: 9.51%) and there are no fixed repayment terms.
- The remaining balances are interest-free and repayable on demand.

(ii) Brokers and clearing houses and client accounts

- This represents amounts owing by the JSE for trades conducted during the last few days before the end of the financial year. These balances fluctuate on a daily basis depending on the activity in the market.
- Included in client accounts are balances of R148.0 million (2022: R150.1 million) which accrue interest at prime.
- The remaining balance is interest-free.

(iii) Contracts for difference

- Contracts for difference consist of collateral assets and margin accounts held by the underlying banking institutions on behalf of clients and are valued at the carrying value after processing the daily market and interest adjustments.
- The balance on 28 February 2023 and 28 February 2022 only represents the margin receivable at year-end from the financial institutions and accrues interest at SAFEX plus 2%.

The group applies the simplified approach to providing for expected credit losses on the financial receivables excluding receivables due from contract holders and reinsurers, as prescribed by IFRS 9, which requires the use of lifetime expected loss provisions for all receivables at amortised cost. In assessing the impairment that should be raised, credit enhancements such as security held were taken into account (refer to page 193 for further detail). An insignificant portion of the receivables were not classified as stage 1. Based on this assessment, the expected credit loss allowance was immaterial.

The group has not recognised any contract assets as only the passage of time is required before payment of the consideration is due. Contract liabilities of R18.2 million (2022: R18.5 million) have been included under note 19 (Trade and other payables).

12. Cash and cash equivalents (including money market funds)

	2023 R000	2022 R000
Cash at bank and in hand	**945 809**	825 716
Short-term deposits	**1 055 134**	869 078
	2 000 943	1 694 794

The effective interest rate on cash and cash equivalents was 5.18% (2022: 3.02%). The short-term deposits have an average maturity of 30 days or less.

Impairments on cash and cash equivalents are measured on a 12-month expected credit loss basis and reflect the short-term maturities of the exposures. The group considers that its cash and cash equivalents have good credit quality based on the external credit ratings of the counterparties. No impairment is considered necessary.

Cash and cash equivalents included above relating to investment contract liabilities amounted to R34.6 million (2022: R46.9 million). Refer to note 17.

13. Stated capital

Authorised

3 billion shares with no par value

(2022: 3 billion shares with no par value)

There were no changes to the authorised stated capital during the current reporting period (2022: no changes).

Issued shares	**Number of shares (thousands)**	**Stated capital R000**
As at 1 March 2021	1 340 930	1 938 859
Repurchase and cancellation of ordinary shares	(9 558)	(109 585)
As at 28 February 2022	1 331 372	1 829 274
Repurchase and cancellation of ordinary shares	**(35 683)**	**(415 854)**
As at 28 February 2023	**1 295 689**	**1 413 420**

During the 2023 financial year, the company repurchased and cancelled 35.7 million ordinary shares at a cost of R415.9 million at a weighted average cost price of R11.65 per share. The cost was deducted from stated capital. The buy back and cancellation were approved by shareholders at the 2022 AGM.

During the 2022 financial year, the company repurchased and cancelled 9.6 million ordinary shares at a cost of R109.6 million at a weighted average cost price of R11.46 per share. The cost was deducted from stated capital. The buy back and cancellation were approved by shareholders at the 2021 AGM.

All shares issued by the company were fully paid. The unissued shares in the company are placed under the control of the directors until the next AGM. The directors are authorised to buy back shares under general approval, subject to certain limitations and the JSE Listings Requirements.

13. Stated capital (continued)

Treasury shares

Analysis of treasury shares	Number of shares (thousands)	Treasury shares R000
As at 1 March 2021	16 936	155 538
Treasury shares sold or cancelled	(1 994)	(19 608)
Release of profits on disposal from treasury shares to retained earnings	–	4 135
As at 28 February 2022	14 942	140 065
Treasury shares sold or cancelled	**(1 828)**	**(20 692)**
Release of profits on disposal from treasury shares to retained earnings	**–**	**11 386**
As at 28 February 2023	**13 114**	**130 759**

Summary of the cash flow impact of the treasury shares sold	2023 R000	2022 R000
Treasury shares sold	**20 692**	19 608
Loss on issue of shares in terms of share scheme	**(89 454)**	(59 065)
Net cash outflow	**(68 762)**	(39 457)

Share incentive scheme

During the current and prior financial years, the group operated an equity-settled share incentive scheme in terms of the PSG Konsult Group Share Incentive Scheme (number of grants under current scheme – 2023: ten; 2022: nine). In terms of the scheme, share options are granted to executive directors, and senior and middle management.

In terms of the share incentive scheme, share options are allocated to participants at grant date at market price. The settlement of the purchase consideration payable by the employee in terms of the share options granted occurs on delivery. The only vesting requirement is that the employee must remain in the employment of the group at the relevant tranche vesting date in order to exercise options.

The assumptions made regarding share options issued are set out in this note.

The total equity-settled share-based payment costs recognised in the income statement for the scheme were R51.7 million (2022: R43.9 million). The share-based payment costs expensed during the year were credited to other reserves (as part of equity – refer to note 14).

The weighted average strike price of share options exercised in terms of the equity-settled share scheme during the year under review was R8.36 per share (2022: R8.18 per share).

The total fair value of the 289.7 million share options granted is R446.2 million (2022: 268.5 million share options granted with fair value of R368.3 million) and was determined using the Black-Scholes valuation model for share options issued prior to 1 March 2019, and using a Modified Binomial Tree model for share options issued subsequent to this date. The fair value of the options granted during 2023 is R77.8 million (2022: R70.4 million).

Vesting of shares occurs as follows:	%
2 years after grant date	25
3 years after grant date	25
4 years after grant date	25
5 years after grant date	25
	100

13. Stated capital (continued)

Share incentive scheme (continued)

Granting of share options occurred as follows:	Number of share options	Strike price R	Volatility used[1] %	Dividend yield %	Risk-free rate %	Fair value of share price R
1 March 2011	27 761 084	1.54	4.74	5.65	7.89	1.75
1 July 2012	11 753 248	1.83	2.93	5.85	7.38	1.85
1 March 2013	46 250 000	2.83	30.00	6.00	6.20	2.40
1 June 2013	1 000 000	2.80	24.00	4.20	7.26	2.55
1 August 2013	300 000	3.40	24.00	3.46	7.26	3.50
1 March 2014	25 000 000	5.06	29.25	2.23	8.07	4.30
1 April 2014	240 000	0.00	29.25	2.23	8.07	4.30
1 April 2015	14 755 778	7.27	24.74	1.99	7.06	7.25
1 April 2016[2]	27 700 778	6.81	34.72	2.24	8.42	6.84
1 August 2016[3]	150 000	6.83	34.14	2.26	7.79	6.77
1 April 2017[4]	22 739 006	7.59	26.76	2.35	7.62	7.55
1 April 2018[5]	20 475 000	8.74	22.06	2.45	7.81	8.90
1 April 2019[6]	18 000 000	10.15	28.17	2.51 – 2.59	7.03 – 7.38	9.95
1 June 2019[7]	300 000	10.27	27.99	2.46 – 2.51	6.92 – 7.29	9.60
1 November 2019[8]	250 000	8.20	28.21	2.08 – 2.34	6.76 – 7.24	9.12
1 February 2020[9]	1 500 000	9.26	28.28	2.75 – 2.87	6.29 – 6.72	9.00
1 April 2020[10]	20 000 000	7.13	32.34	3.44 – 3.63	5.56 – 7.27	6.80
1 April 2021[11]	30 000 000	9.08	33.33	3.41 – 3.92	4.72 – 6.34	9.25
16 August 2021	300 000	10.97	32.82	2.74 – 3.22	4.85 – 6.04	10.95
1 April 2022[12]	20 200 000	12.71	34.20	3.08 – 3.63	6.18 – 7.15	13.00
1 July 2022	1 000 000	12.04	34.51	2.77 – 3.40	7.39 – 8.22	13.19
	289 674 894					

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[1] *Volatility set at historic trend levels of PSG Konsult shares.*

[2] *During the 2022 financial year, 6.22 million shares vested with a weighted average strike price of R6.81 per share.*

[3] *During the 2022 financial year, 0.01 million shares vested with a weighted average strike price of R6.83 per share.*

[4] *During the 2023 financial year, 4.28 million shares vested with a weighted average strike price of R7.59 per share (2022: 4.40 million shares vested with a weighted average strike price of R7.59 per share and 0.11 million shares were cancelled).*

[5] *During the 2023 financial year, 4.35 million shares vested with a weighted average strike price of R8.74 per share and 0.09 million shares were cancelled (2022: 4.42 million shares vested with a weighted average strike price of R8.74 per share and 0.14 million shares were cancelled).*

[6] *During the 2023 financial year, 4.06 million shares vested with a weighted average strike price of R10.15 per share and 0.45 million shares were cancelled (2022: 4.16 million shares vested with a weighted average strike price of R10.15 per share and 0.30 million shares were cancelled).*

[7] *During the 2023 financial year, 0.03 million shares vested with a weighted average strike price of R10.27 per share (2022: 0.03 million shares vested with a weighted average strike price of R10.27 per share and 0.20 million shares were cancelled).*

[8] *During the 2023 financial year, 0.06 million shares vested with a weighted average strike price of R8.20 (2022: 0.06 million shares vested with a weighted average strike price of R8.20).*

[9] *During the 2023 financial year, 0.38 million shares vested with a weighted average strike price of R9.26 per share. As at 28 February 2023, these shares have not been exercised. The shares will be exercised in line with the time period permitted by the PSG Konsult Group Share Incentive Trust. During the 2022 financial year, 0.38 million shares vested with a weighted average strike price of R9.26 per share.*

[10] *During the 2023 financial year, 4.86 million shares vested with a weighted average strike price of R7.13 and 0.94 million shares were cancelled (2022: 0.55 million shares were cancelled).*

[11] *During the 2023 financial year, 2.13 million shares were cancelled (2022: 0.40 million shares were cancelled).*

[12] *During the 2023 financial year, 0.59 million shares were cancelled.*

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for the year ended 28 February 2023

13. Stated capital (continued)

Share incentive scheme (continued)

Analysis of outstanding share options by financial year of maturity	2023 Weighted average strike price R	2023 Number	2022 Weighted average strike price R	2022 Number
28 February 2023	–	–	8.36	18 013 530
29 February 2024	8.78	20 761 250	8.44	21 205 000
28 February 2025	9.76	20 585 000	8.36	16 856 250
28 February 2026	9.69	16 416 250	7.74	12 337 500
28 February 2027	10.64	11 966 250	8.14	7 475 000
29 February 2028	12.68	5 153 750	–	–
		74 882 500		75 887 280

Analysis of share options	2023 Number	2022 Number
Number of share options allocated at the beginning of the year	75 887 280	66 951 359
Number of share options cancelled during the year	(4 194 700)	(1 699 745)
Number of share options vested during the year	(18 010 080)	(19 664 334)
Number of share options allocated during the year	21 200 000	30 300 000
Number of share options allocated at the end of the year	74 882 500	75 887 280
Analysis of outstanding scheme shares per award		
1 April 2017	–	4 283 530
1 April 2018	4 255 000	8 697 500
1 April 2019	7 662 500	12 168 750
1 June 2019	50 000	75 000
1 November 2019	125 000	187 500
1 February 2020	750 000	1 125 000
1 April 2020	13 650 000	19 450 000
1 April 2021	27 475 000	29 600 000
16 August 2021	300 000	300 000
1 April 2022	19 615 000	–
1 July 2022	1 000 000	–
	74 882 500	75 887 280

The weighted average PSG Konsult share price for the year was R11.46 (2022: R11.91).

14. Other reserves

	Foreign currency translation R000	Share-based payment R000	Common control R000	Total R000
Carrying value at 1 March 2021	16 612	47 387	(459 337)	(395 338)
Share-based payment costs	–	43 905	–	43 905
Currency translation adjustments	4 543	–	–	4 543
Deferred tax on equity-settled share-based payments	–	37 837	–	37 837
Current tax on equity-settled share-based payments	–	4 343	–	4 343
Loss on issue of shares in terms of share scheme	–	(59 065)	–	(59 065)
Release of share-based payment reserve to retained earnings	–	2 349	–	2 349
Carrying value at 28 February 2022	21 155	76 756	(459 337)	(361 426)
Share-based payment costs	–	51 746	–	51 746
Currency translation adjustments	38 385	–	–	38 385
Deferred tax on equity-settled share-based payments	–	(13 038)	–	(13 038)
Current tax on equity-settled share-based payments	–	13 365	–	13 365
Loss on issue of shares in terms of share scheme	–	(89 454)	–	(89 454)
Release of share-based payment reserve to retained earnings	–	30 586	–	30 586
Currency translation recycling in respect of foreign subsidiary sold	(492)	–	–	(492)
Carrying value at 28 February 2023	59 048	69 961	(459 337)	(330 328)

The common control reserve originated from various business combinations concluded with companies within the PSG Group. IFRS 3 – Business Combinations did not apply to these business combinations, as it was effected between parties that are ultimately controlled by PSG Group Limited, otherwise known as a common control transaction. The group elected to apply 'predecessor accounting'. Refer to note 3.3 of the detailed accounting policies for further explanation of the common control accounting policy.

The material transactions concluded in prior financial years were the acquisition of PSG Securities Limited on 1 November 2006 and the acquisition of PSG Asset Management Holdings Proprietary Limited on 1 March 2011. These companies were all bought from subsidiaries within the PSG Group, with the ultimate holding company being PSG Group Limited.

15. Non-controlling interest

	2023 R000	2022 R000
Balance at the beginning of the year	420 799	344 199
Profit for the year	77 274	85 618
Dividends paid	(8 058)	(9 018)
Balance at the end of the year	490 015	420 799

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16. Insurance contracts and reinsurance assets

	2023 R000	2022 R000
Gross		
Long-term insurance contracts (refer to a)	12 355	14 290
Short-term insurance contracts		
– claims reported and loss adjustment expenses (refer to b)	202 781	192 775
– claims incurred but not reported (refer to c)	109 195	113 835
– unearned premiums and unexpired risk provision (refer to d)	192 089	181 937
Total insurance liabilities – gross	516 420	502 837
Current portion	504 065	488 547
Non-current portion	12 355	14 290
Recoverable from reinsurers		
Long-term insurance contracts	–	–
Short-term insurance contracts		
– claims reported and loss adjustment expenses (refer to b)	85 991	76 585
– claims incurred but not reported (refer to c)	35 706	35 506
– unearned premiums and unexpired risk provision (refer to d)	22 010	19 104
Total reinsurers' share of insurance liabilities	143 707	131 195
Current portion	143 707	131 195
Non-current portion	–	–
Net		
Long-term insurance contracts (refer to a)	12 355	14 290
Short-term insurance contracts		
– claims reported and loss adjustment expenses (refer to b)	116 790	116 190
– claims incurred but not reported (refer to c)	73 489	78 329
– unearned premiums and unexpired risk provision (refer to d)	170 079	162 833
Total insurance liabilities – net	372 713	371 642

The gross claims reported, the loss adjustment expenses liabilities and the liability for claims incurred but not reported are net of expected recoveries from salvages. The amounts for salvage at 28 February 2023 and 28 February 2022 are not material.

16. Insurance contracts and reinsurance assets (continued)

Movements in insurance contracts and reinsurance assets:

	2023 R000	2022 R000
a) Long-term insurance contracts		
Balance at the beginning of the year	14 290	15 605
Liabilities released for payments on death, surrender and other terminations for the year	(2 435)	(2 415)
Fees deducted from account balances	(101)	(114)
Changes in unit prices	601	1 214
Balance at the end of the year	12 355	14 290

Refer to page 208 for the significant assumptions used in the long-term insurance contract liabilities.

	2023			2022		
	Gross R000	Reinsurance R000	Net R000	Gross R000	Reinsurance R000	Net R000
b) Claims reported and loss adjustment expenses						
Balance at the beginning of the year	192 775	(76 585)	116 190	326 443	(188 735)	137 708
Cash paid for claims settled in the year	(1 061 929)	366 408	(695 521)	(1 003 736)	386 914	(616 822)
Increase in liabilities	1 071 935	(375 814)	696 121	870 068	(274 765)	595 303
Other movements	–	–	–	–	1	1
Balance at the end of the year	202 781	(85 991)	116 790	192 775	(76 585)	116 190
c) Provision for IBNR						
Balance at the beginning of the year	113 835	(35 506)	78 329	108 847	(29 037)	79 810
Charged to the income statement	(4 640)	(200)	(4 840)	4 988	(6 469)	(1 481)
Balance at the end of the year	109 195	(35 706)	73 489	113 835	(35 506)	78 329
d) Provision for unearned premiums and unexpired risk provision						
Balance at the beginning of the year	181 937	(19 104)	162 833	201 879	(16 355)	185 524
Charged to the income statement	11 833	(2 906)	8 927	(25 287)	(2 749)	(28 036)
Other movements	(1 681)	–	(1 681)	5 345	–	5 345
Balance at the end of the year	192 089	(22 010)	170 079	181 937	(19 104)	162 833

Claims development tables
Due to the nature of the short-term insurance contracts, the uncertainty about the amount and timing of claims payments is typically resolved within one year. The corresponding reinsurance contracts are therefore estimated to realise within the next 12 months.

Liability adequacy test
An unexpired risk reserve is required if the group believes that its unearned premium reserve will prove insufficient to cover the unexpired risk on its books at the valuation date. The majority of the group's net provision for unearned premiums and unexpired risk provision relates to an unexpired risk reserve.

17. Investment contracts

	2023 R000	2022 R000
Balance at the beginning of the year	**35 993 332**	30 719 905
Investment contract receipts	**5 026 995**	5 385 552
Investment contract benefits paid	**(3 611 641)**	(3 405 208)
Commission and administration expenses	**(412 394)**	(383 211)
Fair value adjustment to investment contract liabilities	**3 180 765**	3 676 294
Balance at the end of the year	**40 177 057**	35 993 332
Current portion	**40 177 057**	35 993 332
Non-current portion	**–**	–
	40 177 057	35 993 332
Fair value through profit or loss	**40 177 057**	35 993 332
At amortised cost	**–**	–
	40 177 057	35 993 332
Investment contracts are represented by the following investments:		
Debt securities	**–**	319 361
Unit-linked investments	**36 683 499**	32 573 629
Equity securities	**3 449 269**	3 043 350
Investment in investment contracts	**9 685**	10 064
Cash and cash equivalents	**34 604**	46 928
	40 177 057	35 993 332

18. Third-party liabilities arising on consolidation of mutual funds

	2023 R000	2022 R000
Balance at the beginning of the year	**34 286 692**	35 985 490
Net capital contributions received or change in effective ownership	**2 233 389**	2 632 818
Fair value adjustment to third-party liabilities	**3 149 043**	5 134 142
Acquisition of subsidiaries (refer to note 34.3)	**1 680**	–
Deconsolidation of mutual funds (refer to note 34.4)	**–**	(9 465 758)
Balance at the end of the year	**39 670 804**	34 286 692
Current portion	**39 670 804**	34 286 692
Non-current portion	**–**	–
	39 670 804	34 286 692

These mutual fund liabilities relate to certain collective investment schemes which have been classified as investments in subsidiaries – refer to Annexure B. Consequently, fund interests not held by the group are classified as third-party liabilities as they represent demand deposit liabilities measured at fair value. A maturity analysis is not possible as it is dependent on external unitholders' behaviour outside of the group's control.

The group's own credit risk is not applicable in the measurement of these liabilities, as these liabilities are specifically referenced to assets and liabilities contained in separate legal structures that could not be attached in the event of a group entity holding the controlling units defaulting.

19. Trade and other payables

	2023 R000	2022 R000
Trade payables and other accruals[1]	**835 217**	895 098
Contracts for difference (i)	**27 188**	27 318
Deferred revenue	**18 158**	18 524
Purchase consideration payable (ii)	**47 283**	58 003
Unallocated premiums	**114 919**	90 080
Settlement control account (iii)	**1 588 034**	1 845 120
Amounts due to intermediaries	**59 336**	41 806
Amounts due to reinsurers	**40 031**	28 368
Amounts due to policyholders	**7 164**	11 124
Total trade and other payables[2]	**2 737 330**	3 015 441
Current portion	**2 726 335**	2 993 116
Non-current portion	**10 995**	22 325
	2 737 330	3 015 441

[1] *The trade payables and other accruals includes employee benefit accruals.*

[2] *Includes non-financial liabilities of R455.6 million (2022: R473.3 million).*

(i) *Contracts for difference*
- The balance represents the margin payable at year-end by the group to clients and accrues interest at SAFEX less 2%.

(ii) *Purchase consideration payable*
- Relates to balances payable to advisers for books of business acquired during the current and previous financial years, which will be settled in cash on varying dates based on the respective agreements, subject to profit guarantees.
- The amounts payable are interest-free.

(iii) *Settlement control account*
- Represents the settlement of trades done by clients in the last few days before year-end.
- The settlement to the clients takes place within three days after the transaction date.

Notes to the group financial statements

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20. Deferred acquisition costs and deferred reinsurance acquisition revenue

	2023 R000	2022 R000
Deferred acquisition costs		
Balance at the beginning of the year	6 597	5 621
Movement for the year	2 222	976
Balance at the end of the year	8 819	6 597
Deferred reinsurance acquisition revenue		
Balance at the beginning of the year	5 725	5 316
Movement for the year	1 327	409
Balance at the end of the year	7 052	5 725

21. Revenue from contracts with customers and other operating income

	2023 R000	2022 R000
Revenue from contracts with customers		
Commission, administration and other fees		
Commission income	1 906 774	1 766 355
Administration fees	643 102	587 457
Other fees	63 582	55 019
Management and performance fees[1]	1 376 543	1 332 393
Management fee rebates[2]	179 109	150 414
Dealing and structuring (including brokerage)		
Brokerage	191 269	214 943
Offshore brokerage commission	108 518	110 050
Other dealing and structuring income	160 118	127 541
Policy administration fees	98 581	97 275
	4 727 596	4 441 447
Other operating income		
Reinsurance commission income	207 442	185 175
Profit on disposal of property and equipment	801	687
Profit on disposal of intangible assets	1 252	243
Gain arising from partial or full termination of lease	115	860
Income from related parties (refer to note 33)	170	277
Sundry income	26 572	19 219
	236 352	206 461
	4 963 948	4 647 908

[1] *Includes management fees and performance fees received from related-party offshore unit trusts and local unit trusts of R959.1 million (2022: R939.2 million). Refer to note 33.*

[2] *Management fee rebates accrue to the collective investment schemes which are consolidated under IFRS 10 – Consolidated Financial Statements.*

Refer to note 7 of the segment report for the disaggregation of revenue recognised in accordance with IFRS 15.

22. Investment income

	2023 R000	2022 R000
Interest income		
Interest income on amortised cost financial instruments		
Loans and advances	13 737	10 807
Receivables including insurance receivables	13 220	6 829
Contracts for difference – interest received on margin	14 816	9 999
Interest received from related parties (refer to note 33)	572	458
Cash and short-term funds (including money market funds)	65 921	41 287
Other	158	141
	108 424	69 521
Interest income on fair value through profit or loss financial instruments[1]		
Equity securities	1 514	514
Unit-linked investments[2]	115 235	73 305
Cash and short-term funds (including money market funds)[2]	32 511	19 328
	149 260	93 147
	257 684	162 668
Dividend income[1]		
Equity securities – at fair value through profit or loss	1 456	1 082
Unit-linked investments – at fair value through profit or loss[2]	5 885	3 809
	7 341	4 891
Total investment income	265 025	167 559

[1] *The interest income on fair value through profit or loss financial instruments and the dividend income are recognised on financial instruments mandatorily at fair value through profit or loss.*

[2] *Includes interest received of R145.7 million (2022: R91.4 million) and dividends received of R5.9 million (2022: R3.8 million) from related-party local collective investment schemes. Refer to note 33.*

R0.4 million interest income (2022: R0.6 million) was earned on impaired financial assets during the year.

23. Net fair value gains and losses on financial instruments

	2023 R000	2022 R000
Foreign exchange gains	7 673	3 315
Foreign exchange losses	(18 258)	(10 246)
Net fair value gains on financial assets mandatorily at fair value through profit or loss:		
Unrealised fair value gains	25 922	53 620
Realised fair value gains	20 327	6 735
	35 664	53 424

24. Net income attributable to investment contract holders and third-party liabilities

	2023 R000	2022 R000
Investment income[1]		
Interest income on amortised cost financial instruments	75 611	46 241
Interest income on fair value through profit or loss financial instruments	1 175 205	947 021
Dividend income	1 131 727	706 667
Net fair value gains and losses		
Net foreign exchange gains	–	1 318
Net fair value gains on financial assets at fair value through profit or loss	3 999 310	7 157 454
Fair value adjustment to investment contract liabilities	(3 180 765)	(3 676 294)
Fair value adjustment to third-party liabilities	(3 149 043)	(5 134 142)
	52 045	48 265
The investment income and net fair value gains and losses shown above can be analysed as follows according to their IFRS 9 categorisations:		
Designated at fair value through profit or loss	(7 930 046)	(8 727 663)
Mandatorily at fair value through profit or loss	7 906 480	8 728 369
Amortised cost	75 611	47 559
	52 045	48 265

[1] *Includes investment income of R424.2 million (2022: R285.9 million) from related-party local collective investment schemes. Refer to note 33.*

25. Net insurance benefits and claims

	Gross R000	Reinsurance R000	Net R000
2023			
Short-term insurance contracts			
Claims paid	1 123 042	(397 841)	725 201
Movement in the expected cost of outstanding claims	5 367	(9 606)	(4 239)
Salvages	(61 113)	31 433	(29 680)
Individual life long-term insurance contracts – death, maturity, surrender, sick leave benefits and transfers to policyholder liabilities			
Insurance policy benefits paid	2 435	–	2 435
Movement to insurance policy liabilities	106	–	106
Total claims and loss adjustment expenses	1 069 837	(376 014)	693 823
2022			
Short-term insurance contracts			
Claims paid	1 053 017	(411 573)	641 444
Movement in the expected cost of outstanding claims	(128 681)	105 681	(23 000)
Salvages	(49 281)	24 659	(24 622)
Individual life long-term insurance contracts – death, maturity, surrender, sick leave benefits and transfers to policyholder liabilities			
Insurance policy benefits paid	2 415	–	2 415
Movement to insurance policy liabilities	86	–	86
Total claims and loss adjustment expenses	877 556	(281 233)	596 323

26. Expenses (excluding net insurance benefits and claims)

		2023 R000	2022 R000
26.1	**Financial advice fees**		
	Financial advice fees paid to brokers and financial planners	1 926 669	1 765 146
26.2	**Depreciation and amortisation**		
	Depreciation	103 483	99 081
	Motor vehicles	78	147
	Office equipment	15 434	16 264
	Computer equipment	22 803	20 510
	Right-of-use assets	65 168	62 160
	Amortisation of intangible assets	70 521	69 412
	Customer relationships	68 856	67 535
	Other	1 665	1 877
		174 004	168 493
26.3	**Employee benefit expenses**		
	Salaries, wages, allowances and terminations	1 110 854	1 055 023
	Social security costs (e.g. Unemployment Insurance Fund, group life, skills development levy, medical benefits, national insurance)	83 948	76 644
	Equity-settled share-based payment costs	51 746	43 905
	Pension/provident costs – defined contribution plans	72 248	67 761
		1 318 796	1 243 333
26.4	**Marketing, administration and other expenses**		
	Lease expenses	9 872	10 919
	Lease expense in respect of short-term leases	9 422	10 374
	Lease expense in respect of low-value items	450	545
	Auditor's remuneration	18 403	15 655
	Audit services – current year	17 565	15 123
	Audit services – prior year	(38)	44
	Tax services	579	187
	Other services	297	301
	Management fees paid	346 815	295 080
	Marketing expenses	70 157	56 142
	Professional fees	28 535	24 445
	Other administration expenses	459 561	420 238
	JSE and STRATE expenses	42 184	42 831
	Research and administration systems	70 112	65 442
	IT expenses	120 364	113 312
	Office expenses	48 747	41 751
	Telephone expenses	12 735	12 746
	Travel expenses	22 127	8 387
	Professional indemnity insurance	13 199	12 689
	Bank charges	10 817	10 414
	Other expenses	119 276	112 666
	Impairment/(reversal of impairment) of financial and insurance assets	4 187	(410)
	Loss on disposal of property and equipment	80	179
	Loss on disposal of intangible assets	231	2 576
		937 841	824 824

Refer to the report of the board of directors for detail of directors' remuneration on pages 121 and 122.

27. Finance costs

	2023 R000	2022 R000
Contracts for difference – interest paid on margin	**11 954**	7 407
Lease liabilities	**23 924**	26 223
Other borrowings	**594**	755
	36 472	34 385

28. Taxation

	2023 R000	2022 R000
Current taxation		
Current year	**374 689**	391 403
Prior year	**(356)**	(4)
	374 333	391 399
Deferred taxation		
Current year	**24 796**	4 590
Prior year	**(18)**	(308)
	24 778	4 282
Foreign current taxation		
Current year	**11 699**	11 213
Prior year	**(66)**	–
	11 633	11 213
Foreign deferred taxation		
Current year	**(2 542)**	(13 809)
	(2 542)	(13 809)
Total income statement charge	**408 202**	393 085

Reconciliation of effective rate of taxation	2023 %	2022 %
South African normal taxation rate	**28.0**	28.0
Adjusted for:		
Non-taxable income[1]	**(1.6)**	(1.8)
Capital gains tax differential in rates	**(0.4)**	(0.3)
Non-deductible charges[2]	**0.9**	1.0
Deferred tax assets not recognised for tax losses	**0.3**	0.2
Foreign tax rate differential	**(0.7)**	(0.7)
Dividend withholding tax	**0.1**	0.1
Tax in policyholder funds	**2.5**	2.4
Tax deductible expenses not accounted for in income statement	**(0.4)**	(0.8)
Change in tax rate	**(0.3)**	–
Effective rate of taxation	**28.4**	28.1

[1] *Non-taxable income relates primarily to dividend income, unrealised fair value gains and the non-taxable portion of the returns generated by PSG Life Limited.*

[2] *Amortisation on customer relationships is the major contributor to the non-deductible charges.*

28. Taxation (continued)

	2023 R000	2022 R000
Unutilised tax losses		
Gross calculated tax losses at the end of the year available for utilisation against future taxable income	**21 551**	8 554
Deferred income tax asset provided on	**(16 867)**	(4 773)
Available for future utilisation	**4 684**	3 781
The tax impact relating to components of other comprehensive income is as follows:		
Currency translation adjustments	**38 385**	4 543
Other adjustments	**(492)**	–
Tax effect	**–**	–
Other comprehensive income for the year, net of tax	**37 893**	4 543

The total deferred income tax, recognised in equity, relating to share-based payment transactions, was a debit of R33.6 million on 28 February 2023 (2022: debit of R11.3 million).

29. Earnings per share

	2023 R000	2022 R000
The calculations of earnings per share is based on the following:		
Profit attributable to ordinary shareholders	**950 772**	920 909
Non-headline earnings (net of non-controlling interest and related tax effect):		
(Profit)/loss on disposal of intangible assets (including goodwill)	**(952)**	123
Gross amount	**(1 021)**	2 333
Non-controlling interest	**–**	–
Tax effect	**69**	(2 210)
Profit on disposal of property and equipment	**(543)**	(369)
Gross amount	**(721)**	(508)
Non-controlling interest	**11**	18
Tax effect	**167**	121
Currency translation recycling in respect of foreign subsidiary sold	**(492)**	–
Gross amount	**(492)**	–
Non-controlling interest	**–**	–
Tax effect	**–**	–
Headline earnings	**948 785**	920 663

The weighted average number of shares and diluted weighted average number of shares were calculated as follows:

	2023 Number of shares 000	2022 Number of shares 000
Number of shares at the beginning of the year	**1 331 372**	1 340 930
Weighted number of shares issued/repurchased and cancelled during the year	**(14 410)**	(4 444)
Net impact of treasury shares	**(15 805)**	(15 970)
Weighted number of shares at the end of the year	**1 301 157**	1 320 516
Number of bonus element shares to be issued in terms of share option scheme	**37 143**	15 357
Diluted weighted number of shares at the end of the year	**1 338 300**	1 335 873

29. Earnings per share (continued)

	2023 R000	2022 R000
Basic		
Profit attributable to ordinary shareholders	**950 772**	920 909
Headline earnings	**948 785**	920 663
Weighted average number of ordinary shares in issue (000)	**1 301 157**	1 320 516
Attributable earnings per share (cents)	**73.1**	69.7
Headline earnings per share (cents)	**72.9**	69.7
Net asset value per share (cents)	**330.7**	312.7
Tangible net asset value per share (cents)[1]	**238.2**	219.4

Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares (arising from the share incentive schemes set out in note 13). A calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the volume-weighted average annual JSE-listed share price of the company's shares) based on the monetary value of the equity-settled share options granted to participants.

	2023 R000	2022 R000
Profit attributable to ordinary shareholders	**950 772**	920 909
Headline earnings	**948 785**	920 663
Diluted weighted average number of ordinary shares in issue (000)	**1 338 300**	1 335 873
Diluted attributable earnings per share (cents)	**71.0**	68.9
Diluted headline earnings per share (cents)	**70.9**	68.9

[1] *The tangible net asset value excludes intangible assets.*

30. Dividend per share

	2023 R000	2022 R000
Normal dividend	**431 981**	350 580

Interim

11.0 cents per share (2022: 10.0 cents per share)

Final

25.0 cents per share (2022: 22.0 cents per share)

Dividends are not accounted for until they have been approved by the company's board of directors.

31. Capital commitments and contingencies

The group had the following capital commitments and contingencies as at 28 February 2023:

- PSG Konsult Limited has issued letters of support, in the ordinary course of business, for the activities of certain subsidiaries in the group.
- The group, like all other financial services groups in South Africa, is subject to litigation in the normal course of its business. Appropriate provisions are made when losses are expected to materialise. There are no legal or arbitration proceedings (including any such proceedings that are pending or threatened) of which the group is aware, which may have, or have during the previous 12 months, had a material effect on the financial position of the group.

32. Borrowing powers

In terms of the company's MOI, borrowing powers are unlimited. The amount of borrowings as at 28 February 2023 is Rnil (2022: Rnil).

33. Related-party transactions

PSG Konsult Limited, its subsidiaries and joint venture enter into various financial services transactions with members of the PSG Konsult Limited Group. These transactions include a range of investment, administrative, advisory and corporate services in the normal course of business. All intergroup transactions have been eliminated on consolidation.

The related-party transactions are similar to those disclosed in the prior financial year.

Related-party balances	2023 R000	2022 R000
Receivables including insurance receivables		
Due from companies in the PSG Konsult Limited Group		
Jan Jonker Property Investment Trust	**7 935**	7 258
Due from PSG unit trusts		
Local unit trusts	**79 621**	79 314
Offshore unit trusts	**33 376**	30 925
	120 932	117 497
Refer to note 11 for the detail of the receivables due from related parties.		
Trade and other payables		
Due to companies in the PSG Group		
PSG Corporate Services Proprietary Limited	**–**	204
Due to PSG unit trusts		
Local unit trusts	**3 530**	3 646
Offshore unit trusts	**10 016**	8 804
	13 546	12 654
Unit-linked investments		
Investments in PSG unit trusts		
Unit trusts	**34 962 146**	30 560 152

Notes to the group financial statements

for the year ended 28 February 2023

33. Related-party transactions (continued)

Related-party transactions	**2023** **R000**	2022 R000
Revenue from contracts with customers and other operating income		
Received from companies in the PSG Group		
PSG Corporate Services Proprietary Limited[1]	**170**	277
Received from PSG unit trusts		
Local unit trusts	**652 104**	634 056
Offshore unit trusts	**306 981**	305 144
	959 255	939 477
Interest income		
Received from companies in the PSG Konsult Limited Group		
Jan Jonker Property Investment Trust	**572**	458
Received from PSG unit trusts		
Local unit trusts (including money market funds)	**145 696**	91 391
	146 268	91 849
Dividend income		
Received from PSG unit trusts		
Local unit trusts	**5 885**	3 809
Net income attributable to investment contract holders and third-party liabilities		
Received from PSG unit trusts		
Local unit trusts[2]	**424 221**	285 881
	424 221	285 881
Financial advice fees		
Paid to companies in the PSG Group		
PSG Corporate Services Proprietary Limited[1]	**–**	353
Marketing, administration and other expenses		
Paid to companies in the PSG Group		
PSG Capital Proprietary Limited[1]	**–**	228
Paid to PSG unit trusts		
Local unit trusts	**45 369**	31 680
Offshore unit trusts	**115 077**	78 999
	160 446	110 967

[1] *Since September 2022, PSG Corporate Services Proprietary Limited and PSG Capital Proprietary Limited are no longer considered related parties due to the PSG Group unbundling, therefore transactions after this date have not been included.*

[2] *The net income attributable to investment contract holders and third-party liabilities received from local unit trusts includes interest and dividend income.*

The shareholding of directors and the directors' remuneration is set out in the report of the board of directors on pages 121 to 123.

Key management

Key management refers to those persons who have authority and responsibility for planning, directing and controlling the activities of the group. Key management is considered to be the board of directors and the prescribed officers. For the detail of the audited directors' and prescribed officers' remuneration, refer to the report of the board of directors on pages 121 and 122.

34. Notes to the statement of cash flows

		2023 **R000**	2022 R000
34.1	**Cash utilised in operations**		
	Profit before finance costs and taxation	**1 472 720**	1 433 997
	Adjustment for non-cash items and other:		
	Depreciation of property and equipment and right-of-use assets	**103 483**	99 081
	Impairment charges	**4 187**	(410)
	Amortisation of intangible assets	**70 521**	69 412
	Interest income	**(257 684)**	(162 668)
	Dividend income	**(7 341)**	(4 891)
	Share of losses/(profits) of joint ventures	**145**	(75)
	Profit on disposal of property and equipment	**(801)**	(687)
	Profit on disposal of intangible assets	**(1 252)**	(243)
	Gain arising from partial or full termination of lease	**(115)**	(860)
	Loss on disposal of intangible assets	**231**	2 576
	Loss on disposal of property and equipment	**80**	179
	Net fair value gains on financial instruments	**(46 249)**	(60 355)
	Net income attributable to investment contract holders and third-party liabilities	**(52 045)**	(48 265)
	Equity-settled share-based payment costs	**51 746**	43 905
	Net foreign exchange losses	**10 585**	1 676
		1 348 211	1 372 372
	Changes in working capital		
	Receivables including insurance receivables	**218 675**	(166 060)
	Reinsurance assets	**(12 512)**	102 932
	Deferred acquisition costs	**(2 222)**	(976)
	Deferred reinsurance acquisition revenue	**1 327**	409
	Loans and advances	**(39 495)**	14 087
	Trade and other payables	**(272 750)**	534 769
	Other financial instruments	**(4 375 672)**	(5 041 066)
	Third-party liabilities arising on consolidation of mutual funds	**2 233 389**	2 632 817
	Insurance contracts	**13 583**	(149 937)
		(887 466)	(700 653)

34. Notes to the statement of cash flows (continued)

	2023 R000	2022 R000
34.2 Taxation paid		
Charge to profit or loss	**(408 202)**	(393 085)
Movement in deferred taxation	**22 236**	(9 527)
Acquisition of subsidiaries (refer to note 34.3)	**(576)**	–
Charge to other reserves	**(953)**	4 785
Movement in net taxation asset/liability	**1 885**	8 383
	(385 610)	(389 444)

34.3 Acquisition of subsidiaries (including collective investment schemes)

For the year ended 28 February 2023

i) Zenith For The Accomplished Proprietary Limited

PSG Konsult Limited, through its subsidiary Western Group Holdings Limited, acquired a 100% interest in Zenith For The Accomplished Proprietary Limited, a registered insurance broker. The effective date of the transaction was 1 January 2023 following the fulfilment of suspensive conditions.

Details of the net assets acquired are as follows:	**R000**
Cash paid	**500**
Cash due	**500**
Total purchase consideration	**1 000**
Less: Fair value of net assets acquired	**(1 000)**
Goodwill recognised on acquisition	**–**
The remaining purchase consideration for this transaction will be paid by 31 March 2023.	
Cash consideration paid	**(500)**
Cash and cash equivalents acquired	**123**
Net cash outflow for the year ended 28 February 2023	**(377)**
The fair value of the assets and liabilities arising from the acquisition are as follows:	
Property, plant and equipment	**311**
Intangible assets – Customer relationships	**3 048**
Deferred income tax assets	**172**
Loans and advances	**18**
Receivables including insurance receivables	**2 127**
Cash and cash equivalents (including money market funds)	**123**
Deferred income tax liabilities	**(823)**
Borrowings	**(516)**
Trade and other payables	**(2 884)**
Current income tax liabilities	**(576)**
Total identifiable net assets	**1 000**

The income, included in the consolidated income statement, contributed by Zenith since the acquisition date was Rnil. Zenith also contributed a loss after taxation of R2.3 million over the same period. Had Zenith been consolidated from 1 March 2022, the consolidated income statement would have shown income of R6.1 million and loss after taxation of R5.8 million for the year ended 28 February 2023.

34. Notes to the statement of cash flows (continued)

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

ii) Acquisition of collective investment schemes

The group obtained control of the PSG Multi-Management Multi-Asset Income Fund of Funds, the PSG Multi-Management Cautious Fund of Funds and the PSG Multi-Management Growth Fund of Funds during year ended 28 February 2023. These funds were consolidated in accordance with IFRS 10 – Consolidated financial statements and are collective investment schemes managed by PSG Asset Management.

Details of the net assets acquired are as follows:	**PSG Multi-Management Multi-Asset Income Fund of Funds R000**	**PSG Multi-Management Cautious Fund of Funds R000**	**PSG Multi-Management Growth Fund of Funds R000**	**Total R000**
% interest in fund on effective date	44%	84%	44%	
Date of acquisition	1 March 2022	1 March 2022	1 March 2022	
Debt securities				
Unit-linked investments	2 731	1 567	3 073	7 371
Cash and cash equivalents (including money market funds)	13	9	186	208
Third-party liabilities arising on consolidation of mutual funds	(505)	(131)	(1 044)	(1 680)
Trade and other payables	(5)	(5)	(3)	(13)
Net asset value	2 234	1 440	2 212	5 886
Fair value of interest held before the business combination	(2 234)	(1 440)	(2 212)	(5 886)
Total consideration paid	–	–	–	–
Cash and cash equivalents acquired	13	9	186	208
Net cash inflow in the 2023 financial year	13	9	186	208

The detail of the net assets acquired, as disclosed above represent fair value. All the gross contractual receivables are expected to be collected.

The total income and profit and loss that were included in the consolidated income statement during the 2023 financial year, as a result of consolidating the PSG Multi-Management Multi-Asset Income Fund of Funds, was R0.2 million and Rnil respectively.

The total income and profit and loss that were included in the consolidated income statement during the 2023 financial year, as a result of consolidating the PSG Multi-Management Cautious Fund of Funds, was R0.2 million and Rnil respectively.

The total income and profit and loss that were included in the consolidated income statement during the 2023 financial year, as a result of consolidating the PSG Multi-Management Growth Fund of Funds, was R0.2 million and Rnil respectively.

	2023 R000
Summary of cash flows for the year ended 28 February 2023:	
i) Zenith For The Accomplished Proprietary Limited	**(377)**
ii) Acquisition of collective investment schemes	
– PSG Multi-Management Multi-Asset Income Fund of Funds	**13**
– PSG Multi-Management Cautious Fund of Funds	**9**
– PSG Multi-Management Growth Fund of Funds	**186**
Net cash flow from acquisition of subsidiaries	**(169)**

34. Notes to the statements of cash flows (continued)

34.4 Deconsolidation of mutual funds

For the year ended 28 February 2022

The group deconsolidated the PSG Wealth Global Creator Feeder Fund during the 2022 financial year as the group lost control of this fund due to a decrease in the effective interest in the fund.

Details of the net assets disposed of are as follows:	**PSG Wealth Global Creator Feeder Fund R000**
Unit-linked investments	13 094 242
Receivables including insurance receivables	7 140
Cash and cash equivalents (including money market funds)	62 945
Third-party liabilities arising on consolidation of mutual funds	(9 465 758)
Trade and other payables	(5 704)
Net asset value	3 692 865
Transfer to unit-linked investments	(3 692 865)
Cash consideration received	–
Cash and cash equivalents given up	(62 945)
Net cash outflow in the 2022 financial year	(62 945)

34.5 Cash and equivalents at the end of the year

	2023 R000	2022 R000
Cash and cash equivalents (including money market funds)	2 000 943	1 694 794
	2 000 943	1 694 794

35. Events after the reporting date

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

36. Risk management

Risk management is a priority because it affects every part of the business. It is a pre-emptive process that allows the group to assess and analyse risk in an integrated fashion, identifying potential areas in advance and then proactively create processes and measures for compliance. PSG Konsult believes that risk management is key in ensuring the sustainability of the business model.

Fundamentally, the board of directors' responsibility in managing risk is to protect the interests of all of the group's stakeholders, being the shareholders, policyholders, employees, regulatory bodies and related parties, while increasing shareholder value. It fully accepts responsibility for risk management and internal controls, and in so doing the board of directors has deployed a number of control mechanisms to prevent and mitigate the potential impact of risk.

The primary responsibility for risk management at an operational level rests with the Exco. Management and various specialist board committees are tasked with integrating the management of risk into the day-to-day activities of the group. The group defines the roles, responsibility and accountability for managing, reporting and escalating risks and issues throughout the group by applying the three layers of defence approach. This approach incorporates the oversight, management and assurance of risk management, essentially giving three independent views of risk in the organisation.

The group is continuously enhancing its risk management capabilities, particularly in line with the Prudential Authority requirements. Its framework, policies and support processes are regularly updated to reflect these enhancements.

Financial instruments and insurance assets and liabilities are grouped into classes in order to facilitate effective financial risk management and disclosure in terms of IFRS 7 – Financial Instruments: Disclosures and IFRS 13 – Fair Value Measurement. Refer to the following pages for further detail.

36. Risk management (continued)

Financial risk management

	2023			2022		
Assets	**Own balances R000**	**Client-related balances R000**	**Total R000**	Own balances R000	Client-related balances R000	Total R000
Financial instruments carried at fair value through profit or loss						
Equity securities	38 750	3 449 269	3 488 019	37 086	3 043 350	3 080 436
Quoted	38 510	3 449 269	3 487 779	36 097	3 036 966	3 073 063
Unquoted	240	–	240	989	6 384	7 373
Debt securities	12 309	1 871 044	1 883 353	14 110	2 237 905	2 252 015
Government debt securities – quoted	12 309	196 820	209 129	14 110	912 705	926 815
Other debt securities – quoted	–	1 674 224	1 674 224	–	1 325 200	1 325 200
Unit-linked investments	2 406 655	72 792 288	75 198 943	2 309 996	63 353 816	65 663 812
Collective investment schemes	2 370 063	72 691 505	75 061 568	2 284 724	63 170 625	65 455 349
Other unit-linked investments	36 592	100 783	137 375	25 272	183 191	208 463
Investment in investment contracts	–	9 685	9 685	–	10 064	10 064
Derivative financial instruments	–	9 637	9 637	–	13 153	13 153
Cash and cash equivalents[1]	714 163	(714 163)	–	615 500	(615 500)	–
Designated						
Debt securities	–	1 531 281	1 531 281	–	1 668 204	1 668 204
Government debt securities – quoted	–	213 190	213 190	–	586 351	586 351
Other debt securities – quoted	–	1 318 091	1 318 091	–	1 081 853	1 081 853
Financial instruments carried at amortised cost						
Loans and advances[2]	193 956	–	193 956	154 814	–	154 814
Secured	142 715	–	142 715	106 027	–	106 027
Unsecured	51 241	–	51 241	48 787	–	48 787
Receivables including insurance receivable [2]	283 867	1 726 060	2 009 927	228 782	1 997 131	2 225 913
Trade receivables	157 782	(6 546)	151 236	106 143	17 656	123 799
Brokers and clearing houses and client accounts	–	1 707 522	1 707 522	–	1 953 229	1 953 229
Contracts for difference	–	25 084	25 084	–	26 246	26 246
Receivables due from related parties	120 932	–	120 932	117 497	–	117 497
Rental and other deposits and sundry debtors	5 153	–	5 153	5 142	–	5 142
Cash and cash equivalents[2]	1 187 673	813 270	2 000 943	1 116 696	578 098	1 694 794
Insurance assets						
Reinsurance assets[2]	143 707	–	143 707	131 195	–	131 195
Deferred acquisition costs[2]	8 819	–	8 819	6 597	–	6 597
Receivables including insurance receivables[2]	123 115	–	123 115	123 883	–	123 883
Receivables due from contract holders and reinsurers	123 115	–	123 115	123 883	–	123 883
Total financial and insurance assets	5 113 014	81 488 371	86 601 385	4 738 659	72 286 221	77 024 880

[1] *The investment in the PSG Money Market Fund was classified at fair value through profit or loss on adoption of IFRS 9. The client-related balances include the impact of the consolidation of the PSG Money Market Fund.*

[2] *Carrying value approximates fair value.*

36. Risk management (continued)

Financial risk management (continued)

Liabilities	2023 Own balances R000	2023 Client-related balances R000	2023 Total R000	2022 Own balances R000	2022 Client-related balances R000	2022 Total R000
Financial liabilities carried at fair value through profit or loss						
Derivative financial instruments	–	14 623	14 623	–	22 008	22 008
Trade and other payables	47 283	–	47 283	58 003	–	58 003
Purchase consideration payable	47 283	–	47 283	58 003	–	58 003
Designated						
Investment contracts	–	40 177 057	40 177 057	–	35 993 332	35 993 332
Third-party liabilities arising on consolidation of mutual funds	–	39 670 804	39 670 804	–	34 286 692	34 286 692
Financial liabilities carried at amortised cost						
Lease liabilities	235 777	–	235 777	260 945	–	260 945
Trade and other payables[1]	532 003	1 603 053	2 135 056	476 494	1 937 495	2 413 989
Trade payables, settlement control accounts and other payables	532 003	1 575 865	2 107 868	476 494	1 910 177	2 386 671
Contracts for difference	–	27 188	27 188	–	27 318	27 318
Insurance liabilities						
Insurance contracts	516 420	–	516 420	502 837	–	502 837
Deferred reinsurance acquisition revenue[1]	7 052	–	7 052	5 725	–	5 725
Trade and other payables[1]	99 367	–	99 367	70 174	–	70 174
Amounts due to intermediaries	59 336	–	59 336	41 806	–	41 806
Amounts due to reinsurers	40 031	–	40 031	28 368	–	28 368
Total financial and insurance liabilities	1 437 902	81 465 537	82 903 439	1 374 178	72 239 527	73 613 705

[1] *Carrying value approximates fair value.*

36. Risk management (continued)

Financial risk management (continued)

The group's activities expose it to a variety of financial risks: market risk (including price risk, foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

In addition to the shareholder asset and liability balances, known as 'own balances', the group has client-related assets and liabilities relating to the following stakeholders:

Policyholders of the linked investment contracts	A subsidiary of the group, PSG Life Limited, is a linked insurance company and issues linked policies to policyholders (where the value of policy benefits is directly linked to the fair value of the supporting assets). Investment contracts included within financial liabilities on the statement of financial position are therefore fully matched by investments as analysed in note 17.
Third-party mutual fund investors	The group consolidates collective investment schemes, in terms of IFRS 10 – Consolidated Financial Statements, over which the group has control. The consolidation of these funds does not impact total earnings, comprehensive income, shareholders' funds or the net asset value of the group; however, it requires the group to recognise the income statement and statement of financial position impact as part of that of the group.
CFD clients	The group enters into CFD with clients whereby the group provides leveraged exposure to equities specified by the clients. The holders of the CFD carry the financial risk of these instruments and therefore a movement in the individual share prices, for example, would not have an impact on the group's profit after taxation, but would result in a corresponding movement in the value of the CFD liabilities.
Stockbroking clients	Included under receivables are broker and clearing accounts at the stockbroking business which represents amounts owing by the JSE for trades conducted during the last few days before the end of the financial year. These balances fluctuate on a daily basis depending on the activity in the market. The control account for the settlement of these transactions is included under trade and other payables, with the settlement to the clients taking place within three days after the transaction date.

The financial risks arising from the client-related assets and liabilities are assumed by the respective stakeholders and therefore do not have a direct impact on the group's profit after taxation. The movement in client-related balances will indirectly impact the fee which PSG Konsult receives for managing and administering assets on behalf of clients. This impact has been taken into consideration in the respective sensitivities performed.

36. Risk management (continued)

Financial risk management (continued)

Market risk

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

Summary of assets and liabilities subject to market risk	2023 R000	2022 R000
Assets		
Price risk	78 686 962	68 744 248
Equity securities	3 488 019	3 080 436
Unit-linked investments	75 198 943	65 663 812
Foreign exchange risk	8 339 151	7 534 175
Equity securities	1 132 968	1 060 278
Unit-linked investments	7 156 419	6 313 781
Investment in investment contracts	9 686	10 064
Receivables including insurance receivables	32 126	28 712
Cash and cash equivalents	7 952	121 340
Interest rate risk	82 941 518	73 783 435
Debt securities	3 414 634	3 920 219
Unit-linked investments	75 198 943	65 663 812
Loans and advances	193 956	154 814
Receivables including insurance receivables	2 133 042	2 349 796
Cash and cash equivalents	2 000 943	1 694 794
Liabilities		
Price risk	(76 140 774)	(66 207 591)
Investment contracts	(40 031 985)	(35 427 404)
Third-party liabilities arising on consolidation of mutual funds	(36 108 789)	(30 780 187)
Foreign exchange risk	(8 291 109)	(7 377 654)
Lease liabilities	(1 603)	(1 882)
Investment contracts	(8 287 639)	(7 374 467)
Trade and other payables	(1 867)	(1 305)
Interest rate risk	(78 906 390)	(70 029 721)
Lease liabilities	(235 777)	(260 945)
Investment contracts	(36 718 103)	(32 939 918)
Third-party liabilities arising on consolidation of mutual funds	(39 670 804)	(34 286 692)
Trade and other payables	(2 281 706)	(2 542 166)

Risk management

Refer to page 96 for the mitigating controls put in place as part of the risk management framework to address market risk.

36. Risk management (continued)

Financial risk management (continued)

Market risk *(continued)*

Price risk

Equity securities

The group is exposed to price risk due to changes in the market values of its equity securities held by the group and classified on the consolidated statement of financial position at fair value through profit or loss.

Although the group follows a policy of diversification, some concentration of price risk towards certain sectors exists and is analysed below:

	Investments linked to investment contracts		Direct investments – own balances	
Composition of quoted equity securities	**2023 R000**	2022 R000	**2023 R000**	2022 R000
Agriculture, travel and leisure and other sectors	27 017	26 443	1 079	616
Banks, financial services and insurance	910 368	816 703	14 352	14 345
Healthcare	186 819	171 573	1 690	1 452
Industrial, retail, food and beverage and personal and household goods	560 906	483 581	7 694	7 048
Property, construction and materials	1 076 898	852 910	2 110	1 555
Resources, chemicals and oil and gas	269 020	280 577	8 049	7 882
Technology, media and telecommunications	418 241	405 179	3 536	3 199
	3 449 269	3 036 966	38 510	36 097

Included in the group's quoted equity securities are those equity securities relating to:

- Investments linked to investment contracts amounting to R3.4 billion (2022: R3.0 billion).

The price risk of these instruments is carried by the policyholders of the linked investment contracts.

36. Risk management (continued)

Financial risk management (continued)

Market risk *(continued)*

Price risk (continued)

Unit-linked investments

The group is exposed to price risk due to changes in the market values of the unit-linked investments held by the group and classified on the consolidated statement of financial position at fair value through profit or loss.

Although the group follows a policy of diversification, some concentration of price risk towards certain asset types exists and is analysed below:

	Investments linked to investment contracts		Direct investments – consolidated collective investment schemes		Direct investments – own balances	
Composition of quoted unit-linked investments	**2023 R000**	2022 R000	**2023 R000**	2022 R000	**2023 R000**	2022 R000
Equity	**13 231 158**	10 767 848	**12 165 304**	9 795 772	**49 379**	37 891
Multi-asset	**20 863 445**	19 147 597	**21 701 271**	19 075 356	**1 001 151**	836 445
Real estate	**149 943**	152 134	**–**	–	**–**	–
Interest bearing	**2 338 170**	2 322 859	**2 242 214**	1 909 059	**1 319 533**	1 410 388
	36 582 716	32 390 438	**36 108 789**	30 780 187	**2 370 063**	2 284 724

Included in the group's quoted unit-linked investments are those unit-linked investments relating to:

- Investments linked to investment contracts amounting to R36.6 billion (2022: R32.4 billion); and
- Unit-linked investments relating to the consolidated collective investment schemes amounting to R36.1 billion (2022: R30.8 billion).

The price risk of these instruments is carried by the policyholders of the linked investment contracts and the third-party mutual fund investors, respectively.

Sensitivity

The table below summarises the sensitivity of the group's post-tax profit for the year as a result of market price fluctuations. The analysis is based on the assumption that marked-to-market prices increase/decrease by 20% (2022: 20%) taking into account the opposite move of the corresponding linked liability in the case of the linked investment contracts, with all other variables held constant.

	2023 20% increase R000	2022 20% increase R000	**2023 20% decrease R000**	2022 20% decrease R000
Impact on post-tax profit and equity:				
Equity securities	**5 545**	5 198	**(5 545)**	(5 198)
Unit-linked investments	**52 066**	43 108	**(52 066)**	(43 108)
	57 611	48 306	**(57 611)**	(48 306)

36. Risk management (continued)

Financial risk management (continued)

Market risk *(continued)*

Foreign exchange risk

The group has limited investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Transactions incurred by the group did not lead to a significant foreign exchange risk.

The South African rand is the functional currency of most of the group's subsidiaries. The group's financial assets and liabilities denominated in foreign currency other than the functional currency are analysed according to geographical area in the following table:

At 28 February 2023	**British pound sterling R000**	**United States dollar R000**	**Euro R000**	**Other currencies R000**	**Total R000**
Financial assets					
Equity securities[1]	**43 970**	**898 694**	**120 755**	**69 549**	**1 132 968**
Unit-linked investments[1]	**15 541**	**7 000 149**	**63 602**	**77 127**	**7 156 419**
Investment in investment contracts[1]	**1 292**	**5 745**	**2 649**	**–**	**9 686**
Receivables including insurance receivables	**5 701**	**22 011**	**3 748**	**666**	**32 126**
Cash and cash equivalents	**908**	**6 689**	**355**	**–**	**7 952**
Financial liabilities					
Trade and other payables	**(100)**	**–**	**(1 522)**	**(245)**	**(1 867)**
Investment contracts	**(58 379)**	**(7 898 828)**	**(184 690)**	**(145 742)**	**(8 287 639)**
Lease liabilities	**–**	**–**	**(1 603)**	**–**	**(1 603)**
	8 933	**34 460**	**3 294**	**1 355**	**48 042**

At 28 February 2022	British pound sterling R000	United States dollar R000	Euro R000	Other currencies R000	Total R000
Financial assets					
Equity securities[1]	38 476	849 253	95 861	76 688	1 060 278
Unit-linked investments[1]	192 730	5 901 992	62 001	157 058	6 313 781
Investment in investment contracts[1]	1 163	6 437	2 464	–	10 064
Receivables including insurance receivables	14 106	14 086	376	144	28 712
Cash and cash equivalents	58 924	5 942	56 474	–	121 340
Financial liabilities					
Trade and other payables	(153)	–	(1 024)	(128)	(1 305)
Investment contracts	(230 476)	(6 752 159)	(159 412)	(232 420)	(7 374 467)
Lease liabilities	–	–	(1 882)	–	(1 882)
	74 770	25 551	54 858	1 342	156 521

[1] *Largely linked to policyholder investments and as such do not directly expose the group to foreign currency risk.*

Risk management

Management monitors this exposure and cover is used where appropriate. The group did not take cover on foreign currency transactions and balances during the financial years under review.

36. Risk management (continued)

Financial risk management (continued)

Market risk *(continued)*

Foreign exchange risk (continued)

Sensitivity

The table below shows the sensitivity of post-tax profits of the group to a 20% (2022: 20%) move in the rand exchange rates. The analysis is based on the assumption that movements in the assets would be offset by a move in the corresponding linked liability in the case of the linked investment contracts, with all other variables held constant.

	2023 20% appreciation R000	2022 20% appreciation R000	**2023 20% depreciation R000**	2022 20% depreciation R000
Impact on post-tax profit and equity	(10 926)	(24 436)	10 926	24 436

Cash flow and fair value interest rate risk

The group's interest rate risk arises from interest-bearing investments, loans and advances, receivables including insurance receivables, cash and cash equivalents and trade and other payables. Investments issued at variable rates expose the group to cash flow interest rate risk. Investments issued at fixed rates expose the group to fair value interest rate risk. However, where the investments are held to back linked investment contract liabilities, the risk is transferred to the policyholders through the contract terms of the policy.

Short-term insurance liabilities are not directly sensitive to the level of market interest rates as they are undiscounted, contractually non-interest bearing, and short term in nature.

	2023			2022		
	Floating rate R000	**Fixed interest and non-interest bearing R000**	**Carrying value R000**	Floating rate R000	Fixed interest and non-interest bearing R000	Carrying value R000
Debt securities[1]	518 554	2 896 080	3 414 634	1 184 431	2 735 788	3 920 219
Unit linked investments[2]	425 330	74 773 613	75 198 943	296 517	65 367 295	65 663 812
Loans and advances	147 867	46 089	193 956	112 526	42 288	154 814
Receivables including insurance receivables[3]	181 046	1 951 996	2 133 042	183 610	2 166 186	2 349 796
Cash and cash equivalents	1 948 209	52 734	2 000 943	1 447 552	247 242	1 694 794
Lease liabilities	–	(235 777)	(235 777)	–	(260 945)	(260 945)
Investment contracts	(34 604)	(36 683 499)	(36 718 103)	(46 928)	(32 892 990)	(32 939 918)
Third-party liabilities arising on consolidation of mutual funds	(25 639)	(39 645 165)	(39 670 804)	(194 811)	(34 091 881)	(34 286 692)
Trade and other payables	(27 188)	(2 254 518)	(2 281 706)	(27 318)	(2 514 848)	(2 542 166)
Total	3 133 575	901 553	4 035 128	2 955 579	798 135	3 753 714

[1] *Debt securities of Rnil (2022: R319.4 million) are linked to policyholder investments, and R3.4 billion (2022: R3.6 billion) of the debt securities relate to the consolidated collective investment schemes and as such do not directly expose the group to interest rate risk.*

[2] *Unit-linked investments of R36.7 billion (2022: R32.6 billion) are linked to policyholder investments, and R36.1 billion (2022: R30.8 billion) of the unit-linked investments relate to the consolidated collective investment schemes and as such do not directly expose the group to interest rate risk.*

[3] *Receivables including insurance receivables of R21.4 million (2022: R17.7 million) relate to the consolidated collective investment schemes and as such do not directly expose the group to interest rate risk.*

Risk management

The group manages its cash flow interest rate risk by monitoring interest rates on a regular basis.

36. Risk management (continued)

Financial risk management (continued)

Market risk *(continued)*

Cash flow and fair value interest rate risk (continued)

Sensitivity

Based on simulations performed, the impact on post-tax profit of a 1% (2022: 1%) shift in interest rates is analysed in the following table. The analysis is based on the assumption that movements in the assets would be offset by a move in the corresponding linked liability in the case of the linked investment contracts, with all other variables held constant.

	2023 1% increase R000	2022 1% increase R000	**2023 1% decrease R000**	2023 1% decrease R000
Impact on post-tax profit and equity	22 562	21 280	(22 562)	(21 280)

Credit risk

Credit risk arises from the inability or unwillingness of a counterparty to a financial instrument to discharge its contractual obligations. Credit risk comprises default, settlement and migration risk (if credit ratings change).

The table below shows the group's maximum exposure to credit risk by class of asset at the end of each reporting period:

	2023		2022	
	Balance R000	**Collateral fair value R000**	Balance R000	Collateral fair value R000
Debt securities	3 414 634	–	3 920 219	–
Government debt securities – quoted	422 319	–	1 513 166	–
Other debt securities – quoted	2 992 315	–	2 407 053	–
Investment in investment contracts	9 685	–	10 064	–
Loans and advances	193 956	97	154 814	1 718
Secured	142 715	97	106 027	1 718
Unsecured	51 241	–	48 787	–
Unit-linked investments	75 198 943	–	65 663 812	–
Collective investment schemes	75 061 568	–	65 455 349	–
Other unit-linked investments	137 375	–	208 463	–
Derivative financial instruments	9 637	–	13 153	–
Reinsurance assets	143 707	–	131 195	–
Receivables including insurance receivables	2 133 042	148 027	2 349 796	150 107
Trade receivables	151 236	–	123 799	–
Receivables due from contract holders and reinsurers	123 115	–	123 883	–
Brokers and clearing houses and client accounts	1 707 522	148 027	1 953 229	150 107
Contracts for difference	25 084	–	26 246	–
Receivables due from related parties	120 932	–	117 497	–
Rental and other deposits and sundry debtors	5 153	–	5 142	–
Cash and cash equivalents	2 000 943	–	1 694 794	–
	83 104 547	148 124	73 937 847	151 825

36. Risk management (continued)

Financial risk management (continued)

Credit risk *(continued)*

The credit exposure is attributable to:	2023 R000	2022 R000
Own balances	5 065 445	4 694 976
Client-related balances	78 039 102	69 242 871
	83 104 547	73 937 847

The value of policy benefits on linked business is directly linked to the fair value of the supporting assets and, as such, the group does not assume any credit risk on the linked policyholder assets, although it has a responsibility to manage these assets properly within set mandates.

Debt securities of Rnil (2022: R319.4 million), investment in investment contracts of R9.7 million (2022: R10.1 million), unit-linked investments of R36.7 billion (2022: R32.6 billion) and cash and cash equivalents of R34.6 million (2022: R46.9 million) are linked to investment contracts and thus credit risk is carried by the policyholders of the linked investment contracts.

At year-end, R3.4 billion (2022: R3.6 billion) of the debt securities, R36.1 billion (2022: R30.8 billion) of the unit-linked investments and R21.4 million (2022: R17.7 million) of the receivables including insurance receivables relate to the collective investment schemes consolidated in terms of IFRS 10 – Consolidated Financial Statements. The group is exposed to the credit risk of the underlying assets in which the collective investment schemes are invested. The group's exposure to collective investment schemes is classified at fund level and not at the underlying asset level, and although collective investment schemes are not rated, the fund managers of these collective investment schemes are required to invest in assets within the defined parameters stipulated in the fund's mandate. These rules limit the extent to which fund managers can invest in unlisted and/or unrated assets and generally restrict funds to the acquisition of investment grade assets.

Risk management

Derivative counterparties and cash transactions are limited to high-credit-quality financial institutions. In the case of loans and advances, management would take or insist on collateral or other forms of securitisation as it deems fit. Credit limits for each counterparty, are set based on default probabilities that are, in turn, based on the ratings of the counterparty concerned.

The shareholders' capital in PSG Life Limited and Western Group is primarily invested in cash or other highly liquid unit trust investments. All items that expose PSG Life Limited and Western Group to credit risk are monitored by the credit committee. The credit committee reviews on a monthly basis the exposure of the group to external parties. As part of this meeting, a credit specialist reports to the committee whether any new information has become available in the market which indicates that the group should reconsider its exposure to that counterparty. As at February for each of the respective financial years, this committee did not note any significant concerns as to the exposure that this group has to any counterparties.

Refer to page 96 for the mitigating controls put in place as part of the risk management framework to address credit risk.

36. Risk management (continued)

Financial risk management (continued)

Credit risk *(continued)*

Security/collateral

For some assets, the group may obtain security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

Loans and advances

The collateral held for the loans to short-term insurance clients by Hi-Five Corporate Finance Proprietary Limited, a subsidiary of Western Group Holdings Limited, is held in the form of warranties and guarantees. The loans to financial advisers are secured by the cession and pledge of the revenue generated by the adviser from their book of business. The security is valued by applying a market-related factor to the adviser's share of the revenue from the book of business. Refer to note 8 for more detail.

Brokers and clearing houses and client accounts

PSG Scriptfin provides facilities to qualifying retail clients (following a rigorous credit check process) based on the value of their share portfolios at PSG Securities. The balance outstanding as at 28 February 2023 is R148.0 million (2022: R150.1 million). The balance is secured by the underlying JSE Top 100 equity securities held, which are in excess of four times the value of the loan facilities.

Credit quality

The credit quality of financial assets is assessed by reference to Moody's external credit ratings (if available) or to historical information about counterparty default rates. Financial assets which fall outside Moody's published rates or are rated by other external rating agencies are classified as 'other rated assets'. The definitions regarding the various ratings are available on the relevant websites of the credit rating agencies (i.e. Moody's, Fitch, S&P and GCR).

	2023 R000	2022 R000
Government stock[1]	422 319	1 513 166
Aaa	78 539	36 313
Aa1	2 462	10 991
Aa2	–	8 667
Aa3	9 421	–
A1	2 421	1 533
P1	4 676 370	3 703 372
Other rated assets	340 138	388 876
Non-rated assets	2 373 934	2 611 117
Unit-linked investments (including collective investment schemes)	75 198 943	65 663 812
	83 104 547	73 937 847

[1] *The government stock relates to instruments issued by the South African government, which have a Moody's short-term rating of Ba2 at 28 February 2023 (2022: Ba2).*

The credit risk associated with 46.6% (2022: 45.1%) of non-rated assets and unit-linked investments (including collective investment schemes) is assessed by reference to the investment mandates of linked policyholder investments which specify what type of underlying investments can be purchased.

Notes to the group financial statements

for the year ended 28 February 2023

36. Risk management (continued)

Financial risk management (continued)
Credit risk *(continued)*
Credit quality (continued)
The table below analyses the group's external credit rating by class of asset:

	External credit rating						External credit rating			
2023	Government stock[1] R000	Aaa R000	Aa1 R000	Aa3 R000	A1 R000	P1 R000	Unit-linked (incl CIS) R000	Other rated assets[2] R000	Non-rated assets[2] R000	Total R000
Debt securities	422 319	78 207	–	–	–	2 737 900	–	176 208	–	3 414 634
Government[1]	422 319	–	–	–	–	–	–	–	–	422 319
Bank	–	–	–	–	–	2 690 798	–	6 587	–	2 697 385
Other	–	78 207	–	–	–	47 102	–	169 621	–	294 930
Investment in investment contracts	–	–	–	–	–	–	–	–	9 685	9 685
Loans and advances	–	–	–	–	–	–	–	–	193 956	193 956
Secured	–	–	–	–	–	–	–	–	142 715	142 715
Unsecured	–	–	–	–	–	–	–	–	51 241	51 241
Derivative financial instruments	–	–	–	–	–	–	–	–	9 637	9 637
Reinsurance assets	–	–	–	9 203	–	–	–	121 114	13 390	143 707
Receivables including insurance receivables	–	332	2 462	218	2 421	–	–	24 239	2 103 370	2 133 042
Trade receivables	–	332	2 462	–	2 421	–	–	14 699	131 322	151 236
Receivables due from contract holders and reinsurers	–	–	–	218	–	–	–	9 540	113 357	123 115
Brokers and clearing houses and client accounts	–	–	–	–	–	–	–	–	1 707 522	1 707 522
Contracts for difference	–	–	–	–	–	–	–	–	25 084	25 084
Receivables due from related parties	–	–	–	–	–	–	–	–	120 932	120 932
Rental and other deposits and sundry debtors	–	–	–	–	–	–	–	–	5 153	5 153
Unit-linked investments	–	–	–	–	–	–	75 198 943	–	–	75 198 943
Collective investment schemes	–	–	–	–	–	–	75 061 568	–	–	75 061 568
Other unit-linked investments	–	–	–	–	–	–	137 375	–	–	137 375
Cash and cash equivalents	–	–	–	–	–	1 938 470	–	18 577	43 896	2 000 943
	422 319	78 539	2 462	9 421	2 421	4 676 370	75 198 943	340 138	2 373 934	83 104 547

[1] *The government debt securities relate to instruments issued by the South African government, which have a Moody's short term rating of Ba2 at 28 February 2023.*

[2] *Refer to pages 198 and 199 for further detail on the 'other rated' and 'non-rated' assets.*

36. Risk management (continued)

Financial risk management (continued)

Credit risk *(continued)*

Credit quality (continued)

The table below analyses the group's external credit rating by class of asset:

		External credit rating					External credit rating			
2022	Government stock[1] R000	Aaa R000	Aa1 R000	Aa2 R000	A1 R000	P1 R000	Unit-linked (incl CIS) R000	Other rated assets[2] R000	Non-rated assets[2] R000	Total R000
Debt securities	1 513 166	35 970	10 210	8 667	–	2 105 680	–	207 144	39 382	3 920 219
Government[1]	1 513 166	–	–	–	–	–	–	–	–	1 513 166
Bank	–	–	–	–	–	2 056 637	–	20 424	13 052	2 090 113
Other	–	35 970	10 210	8 667	–	49 043	–	186 720	26 330	316 940
Investment in investment contracts	–	–	–	–	–	–	–	–	10 064	10 064
Loans and advances	–	–	–	–	–	–	–	–	154 814	154 814
Secured	–	–	–	–	–	–	–	–	106 027	106 027
Unsecured	–	–	–	–	–	–	–	–	48 787	48 787
Derivative financial instruments	–	–	–	–	–	–	–	–	13 153	13 153
Reinsurance assets	–	–	–	–	–	–	–	126 057	5 138	131 195
Receivables including insurance receivables	–	343	781	–	1 533	–	–	31 349	2 315 790	2 349 796
Trade receivables	–	343	781	–	1 533	–	–	13 427	107 715	123 799
Receivables due from contract holders and reinsurers	–	–	–	–	–	–	–	17 922	105 961	123 883
Brokers and clearing houses and client accounts	–	–	–	–	–	–	–	–	1 953 229	1 953 229
Contracts for difference	–	–	–	–	–	–	–	–	26 246	26 246
Receivables due from related parties	–	–	–	–	–	–	–	–	117 497	117 497
Rental and other deposits and sundry debtors	–	–	–	–	–	–	–	–	5 142	5 142
Unit-linked investments	–	–	–	–	–	–	65 663 812	–	–	65 663 812
Collective investment schemes	–	–	–	–	–	–	65 455 349	–	–	65 455 349
Other unit-linked investments	–	–	–	–	–	–	208 463	–	–	208 463
Cash and cash equivalents	–	–	–	–	–	1 597 692	–	24 326	72 776	1 694 794
	1 513 166	36 313	10 991	8 667	1 533	3 703 372	65 663 812	388 876	2 611 117	73 937 847

[1] *The government debt securities relate to instruments issued by the South African government, which have a Moody's short term rating of Ba2 at 28 February 2022.*

[2] *Refer to pages 198 and 199 for further detail on the 'other rated' and 'non-rated' assets.*

36. Risk management (continued)

Financial risk management (continued)

Credit risk (continued)

Credit quality (continued)

The other rated assets can be broken down as follows:

Class of financial assets	Rating agency	External credit rating	2023 R000	2022 R000
Receivables including insurance receivables	Fitch	F1+(ZAF)	–	379
Receivables including insurance receivables	S&P	AA-(ZA) to BB(ZA)	**24 239**	30 970
Debt securities	Fitch	F1+(ZAF)	–	19 038
Debt securities	GCR	A1+(ZA)	**25 444**	25 280
Debt securities	S&P	A1+(ZA)	**6 587**	31 671
Reinsurance assets	S&P	AA-(ZA) to A-(ZA)	**121 114**	126 057
			177 384	233 395
Debt securities	Moody's[1]	B1(ZA)	**144 177**	131 155
Cash and cash equivalents	Moody's[1]	NP(ZA)	**18 577**	24 326
			340 138	388 876

[1] *Moody's ratings of financial assets which fell out of the range disclosed in the Moody's credit rating table disclosed on the previous pages*

Debt securities

The non-rated debt securities of R39.4 million for 2022 relates to client-related balances, and as such does not expose the business to the credit risk of these securities.

Investment in investment contracts

The investment in investment contracts is an amount invested with a foreign insurer and is linked to the investment contract liability. Therefore the credit risk is carried by the policyholder.

Loans and advances

Loans and advances consist mainly of amounts due from short-term insurance clients and financial advisers which have been deemed to be high quality assets due to the following:

- Balances due from short-term insurance clients are monitored against the collateral provided in the form of the underlying investments held, with Hi-Five Corporate Finance Proprietary Limited allowed to execute its security in case of default on the repayment terms.
- Balances due from financial advisers are monitored against the income generated by these advisers to ensure that sufficient collateral for the amounts owed is available.

Derivative financial instruments

These represent CFDs facilitated by PSG Securities between the client and RMB, and as such the client bears the credit risk.

Receivables including insurance receivables

Non-rated receivables, including insurance receivables, consist mainly of the following:

- Balances due from brokers and clearing houses, which relate to client-related balances, are settled within three days after the transaction occurred in terms of the clearing house rules of the JSE.
- Contracts for difference consisting of collateral assets and margin accounts held by the underlying banking institutions on behalf of clients.

36. Risk management (continued)

Financial risk management (continued)

Credit risk (continued)

Credit quality (continued)

Receivables including insurance receivables (continued)

- Non-rated receivables due from contract holders and reinsurers amounted to R113.4 million (2022: R106.0 million). Debtors falling into the 'non-rated' category are managed on a daily basis to ensure recoverability of amounts.
- Receivables due from related parties relate mainly to the February management fees due from the PSG collective investment schemes, which are settled within a week of the financial year-end.
- Other receivables consist mainly of commission and other fee income due from third-party asset management and insurance companies, fees due from the JSE, as well as policyholder receivables due from investment houses (in the case where the policy matured or was redeemed by the policyholder). These receivables are assessed individually for any indications that the counterparties might not be able to honour their commitments. The risk of default is low as it relates to reputable financial services institutions.
- Of the non-rated trade receivables of R131.3 million (2022: R107.7 million), R16.6 million (2022: R13.5 million) relates to client-related balances and, as such, does not expose the business to the credit risk of these assets.
- The receivables which expose the group to credit risk have been assessed to be high quality assets.

Cash and cash equivalents

The non-rated cash and cash equivalents relate mainly to offshore bank accounts held by foreign subsidiaries and the PSG Securities trading account. The credit committee assesses the default risk of the foreign banks, taking into consideration the alternative counterparties available in the respective countries, and sets limits on the group's exposure. The cash held in the trading account is highly liquid, earns competitive interest yield and has a weighted average maturity of less than 90 days.

Impairment history

Receivables are tested for impairment using a variety of techniques including assessing credit risk and monthly monitoring of individual debtors. At the reporting date, R12.5 million (2022: R10.9 million) of receivables due from contract holders and reinsurers were found to be impaired. As at 28 February 2023, R2.6 million (2022: R2.2 million) of unsecured loans to advisers were impaired.

Refer to note 8 for the expected credit loss considerations on the loans and advances.

Concentration

Although the group follows a policy of diversification, some concentration of credit risk towards certain counterparties exists:

- A large portion of the quoted debt securities is invested in the large four South African banks, and relates to the consolidated collective investment schemes.
- Reinsurance assets and amounts due from reinsurers are largely due from Santam re and African re (refer to the 'reinsurance credit exposures' section on page 200 for further detail).
- The derivative financial instruments and contracts for difference represent client assets relating to the stockbroking business and are held mainly with RMB.
- The cash and cash equivalents predominantly include balances at the larger South African banks.

The investment committee closely monitors the performance and concentration of the shareholder assets to ensure that the group is not overly exposed to a particular counterparty.

The collective investment schemes consolidated in terms of IFRS 10 – Consolidated Financial Statements are managed in terms of the respective fund mandates.

36. Risk management (continued)

Financial risk management (continued)
Credit risk *(continued)*
Concentration (continued)
Reinsurance credit exposures

Reinsurance is used to manage insurance risk. However, this does not discharge the group's liability as primary insurer. If a reinsurer fails to pay a claim for any reason, the group remains liable for the payment to the policyholder. The group has some exposure to concentration risk with individual reinsurers due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings. The creditworthiness of reinsurers is considered annually by reviewing their financial strength prior to finalisation of any contract. The group's largest reinsurance counterparties are African re and Santam re (2022: African re and Santam re). This exposure is monitored on a regular basis with the forecast to completion monitored for any shortfall in the claims history to verify that the contract is progressing as expected and that no further exposure for the group will arise. The reinsurance receivable balances, disclosed as 'non-rated' on a group level, relate to reinsurance intermediaries.

The following table presents the concentration risk with the individual reinsurers at year-end:

	2023		2022	
	R000	%	R000	%
African re	56 105	39	63 028	49
Santam re	42 261	30	42 840	32
R&V Versicherung	22 094	15	20 189	15
Namib re	8 971	6	5 138	4
Covea	9 203	6	–	–
One Marine	3 858	3	–	–
Other	1 215	1	–	–
Reinsurance assets	143 707	100	131 195	100
African re	5 790	44	8 961	41
Santam re	162	1	8 961	41
Namib re	3 367	26	2 589	12
Swiss re	1 664	13	–	–
CRR Re	1 143	9	–	–
Other	1 039	7	1 413	6
Amounts due from reinsurers	13 165	100	21 924	100
	156 872		153 119	

Financial liabilities at fair value through profit or loss

Certain financial liabilities in the group's statement of financial position have been designated at fair value through profit or loss. These include investment contracts and third-party liabilities arising on consolidation of mutual funds. The determination of fair value requires an assessment of PSG Konsult's own credit risk.

The current year and cumulative fair value movements in these instruments were mainly due to market movements relating to the underlying instruments which back the related investment contracts and third-party liabilities, with no significant fair value movement attributable to credit risk.

The investment contract liabilities relate to the group's linked life business, therefore the fair value of the investment contract liabilities are directly linked to the underlying policyholder assets. PSG Konsult has considered the impact of the entity's own credit risk and has determined the impact is not significant based on the liquidity and the underlying asset position which support such liabilities. PSG Konsult remains well capitalised and, accordingly, no adjustment to the valuation for credit risk has been made for the financial years under review.

36. Risk management (continued)

Financial risk management (continued)
Credit risk *(continued)*
Financial liabilities at fair value through profit or loss (continued)

PSG Konsult's own credit risk is not applicable in the measurement of third-party financial liabilities arising on consolidation of mutual funds as these liabilities are specifically referenced to assets and liabilities contained in a separate legal structure (collective investments schemes) that could not be attached in the event of a group entity holding the controlling units defaulting.

PSG Konsult's own credit risk is also not applicable in the measurement of purchase consideration payable as the amount payable is directly linked to the underlying book of business acquired and its profitability over a contracted period and not that of the group.

Liquidity risk

Liquidity risk is the risk that the group will not be able to raise sufficient funds to meet the commitments associated with its liabilities. This risk arises when investments are not marketable and therefore cannot be realised in the short term.

The table below analyses the group's liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying values as the impact of discounting is not significant.

At 28 February 2023	Carrying value R000	Less than 1 year R000	Between 1 and 5 years R000	Over 5 years R000
Lease liabilities	235 777	89 366	178 641	13 057
Derivative financial instruments	14 623	14 623	–	–
Investment contracts	40 177 057	40 177 057	–	–
Insurance contracts	516 420	504 065	12 355	–
Deferred reinsurance acquisition revenue	7 052	7 052	–	–
Third-party liabilities arising on consolidation of mutual funds	39 670 804	39 670 804	–	–
Trade and other payables				
Trade payables, settlement control account and other payables	2 107 868	2 107 868	–	–
Amounts due to intermediaries	59 336	59 336	–	–
Amounts due to reinsurers	40 031	40 031	–	–
Contracts for difference	27 188	27 188	–	–
Purchase consideration payable	47 283	36 288	10 995	–
	82 903 439	82 733 678	201 991	13 057

36. Risk management (continued)

Financial risk management (continued)

Liquidity risk *(continued)*

At 28 February 2022	Carrying value R000	Less than 1 year R000	Between 1 and 5 years R000	Over 5 years R000
Lease liabilities	260 945	84 297	218 103	18 699
Derivative financial instruments	22 008	22 008	–	–
Investment contracts	35 993 332	35 993 332	–	–
Insurance contracts	502 837	488 547	14 290	–
Deferred reinsurance acquisition revenue	5 725	5 725	–	–
Third-party liabilities arising on consolidation of mutual funds	34 286 692	34 286 692	–	–
Trade and other payables				
Trade payables, settlement control account and other payables	2 386 671	2 386 671	–	–
Amounts due to intermediaries	41 806	41 806	–	–
Amounts due to reinsurers	28 368	28 368	–	–
Contracts for difference	27 318	27 318	–	–
Purchase consideration payable	58 003	35 678	22 325	–
	73 613 705	73 400 442	254 718	18 699

Investment contract liabilities

The value of the investment contract liabilities is linked to the value of the underlying matching assets portfolio. Equity securities of R3.4 billion (2022: R3.0 billion), debt securities of Rnil (2022: R319.4 million), unit-linked investments of R36.7 billion (2022: 32.6 billion), investment in investment contracts of R9.7 million (2022: R10.1 million) and cash and cash equivalents of R34.6 million (2022: R46.9 million) are linked to investment contract liabilities.

With regard to the linked investment policy business, it is the group's policy to pay a policyholder once the amount disinvested has been collected. Accordingly, the underlying assets' maturity profile should approximate that of the investment contracts. The investment contracts do not expose the group to significant liquidity risk. The investment policy and mandates take the expected liquidity cash flow into account. By limiting the cash flow mismatch, the risk of premature realisation of assets or reinvestment of excess cash is mitigated. In addition, investment guidelines and limits are used to limit exposure to illiquid assets. With regard to the investments linked to guaranteed investment contracts, these products have very specific guaranteed repayment profiles. The expected liability outflow is matched by assets that provide the required cash flows as and when they become payable.

Third-party liabilities arising on consolidation of mutual funds

Third-party liabilities arising on consolidation of mutual funds represent demand liabilities of collective investment scheme interests not held by the group arising as a result of consolidation. Maturity analysis is not possible as it is dependent on external unitholders' behaviour outside of the group's control.

Insurance contracts

The group is exposed to daily calls on its available cash resources, mainly from claims arising from short-term insurance contracts through its subsidiary, Western Group. Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Management actively manages the maturity profile of investments made in order to meet obligations. Investments are only made at reputable institutions and in short-duration instruments.

36. Risk management (continued)

Financial risk management (continued)

Liquidity risk *(continued)*

Trade and other payables

Included in trade and other payables is the settlement control account of R1.5 billion (2022: R1.8 billion), which represents the settlement of trades done by clients in the last few days before year-end, with the settlement to the clients taking place within three days after the transaction date. The settlement control account is matched with current assets in the form of the broker and clearing accounts and cash and cash equivalents (if portion was received from the JSE before year-end), which reduces the liquidity risk.

Financing facilities

The group has access to the following undrawn borrowing facilities at the end of the financial year:

- A recourse facility from Investec Bank Limited of R150.0 million (2022: R150.0 million).
- An approved DMTN programme of R3.0 billion (2022: R3.0 billion).
- An undrawn overdraft facility of R50.0 million (2022: R50.0 million) with Absa Bank Limited.

Risk management

Refer to page 96 for the mitigating controls put in place as part of the risk management framework to address liquidity risk.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, each entity aims to maintain flexibility in funding by keeping committed credit lines available.

Fair value estimation

Financial instruments that are measured in the statement of financial position at fair value are disclosed by level based on the following fair value measurement hierarchy, as required by IFRS 7 – Financial Instruments: Disclosures and IFRS 13 – Fair Value Measurement:

- **Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities**
  The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's-length basis. The quoted market price used for financial assets held by the group is the current bid price. Instruments included in level 1 comprise primarily JSE equity investments classified as at fair value through profit or loss.

- **Level 2 – Input other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)**
  Financial instruments that trade in markets that are not considered to be active but are valued (using valuation techniques) based on quoted market prices, dealer quotations or alternative pricing sources supported by observable input are classified within level 2. As level 2 investments include positions that are not traded in active markets and/ or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. If all significant input required to fair value an instrument is observable, the instrument is included in level 2.

- **Level 3 – Input for the asset or liability that is not based on observable market data (that is, unobservable input)**
  If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Investments classified within level 3 have significant unobservable input, as they trade infrequently.

36. Risk management (continued)

Financial risk management (continued)

Fair value estimation *(continued)*

Valuation techniques and assumptions used in determining the fair value of level 2 instruments

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

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

Unit-linked investments, investments in investment contracts and debt securities are mostly held to match investment contract liabilities and, as such, any change in measurement would result in a similar adjustment to investment contract liabilities. The group's overall profit or loss is therefore not materially sensitive to the input of the models applied to derive fair value.

Valuation techniques and assumptions used in determining the fair value of level 3 instruments

Unit-linked investments and debt securities relate mainly to units and debentures held in hedge funds and are priced monthly. The group has determined that the reported net asset value represents fair value at the end of the reporting period. The prices are obtained from the asset managers of the particular hedge funds. These are held to match investment contract liabilities, and as such any change in measurement would result in a similar adjustment to investment contract liabilities. The group's overall profit or loss is therefore not materially sensitive to the input of the models applied to derive fair value.

Purchase consideration payable classified within level 3 has significant unobservable input, as the valuation technique used to determine the fair values takes into account the probability (at year-end) that the contracted party will achieve the profit guarantee as stipulated in the business agreement.

36. Risk management (continued)

Financial risk management (continued)

Fair value estimation *(continued)*

Fair value hierarchy

The following financial instruments are measured at fair value:

At 28 February 2023	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
Financial assets				
Derivative financial instruments	–	9 637	–	9 637
Equity securities	3 487 779	–	240	3 488 019
Listed and quoted	3 487 779	–	–	3 487 779
Unquoted	–	–	240	240
Debt securities	681 522	2 733 112	–	3 414 634
Government debt securities – quoted	196 820	225 499	–	422 319
Other debt securities – quoted	484 702	2 507 613	–	2 992 315
Unit-linked investments	–	75 061 568	137 375	75 198 943
Collective investment schemes	–	75 061 568	–	75 061 568
Other unit-linked investments	–	–	137 375	137 375
Investment in investment contracts	–	9 685	–	9 685
	4 169 301	77 814 002	137 615	82 120 918
Own balances	38 510	3 096 535	36 832	3 171 877
Client-related balances	4 130 791	74 717 467	100 783	78 949 041
Financial liabilities				
Derivative financial instruments	–	14 623	–	14 623
Investment contracts	–	40 076 274	100 783	40 177 057
Purchase consideration payable	–	–	47 283	47 283
Third-party liabilities arising on consolidation of mutual funds	–	39 670 804	–	39 670 804
	–	79 761 701	148 066	79 909 767
Own balances	–	–	47 283	47 283
Client-related balances	–	79 761 701	100 783	79 862 484

36. Risk management (continued)

Financial risk management (continued)
Fair value estimation *(continued)*
Fair value hierarchy (continued)
The following financial instruments are measured at fair value:

At 28 February 2022	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
Financial assets				
Derivative financial instruments	–	13 153	–	13 153
Equity securities	3 073 063	–	7 373	3 080 436
Listed and quoted	3 073 063	–	–	3 073 063
Unquoted	–	–	7 373	7 373
Debt securities	782 599	3 137 620	–	3 920 219
Government debt securities – quoted	407 401	1 105 765	–	1 513 166
Other debt securities – quoted	375 198	2 031 855	–	2 407 053
Unit-linked investments	–	65 455 349	208 463	65 663 812
Collective investment schemes	–	65 455 349	–	65 455 349
Other unit-linked investments	–	–	208 463	208 463
Investment in investment contracts	–	10 064	–	10 064
	3 855 662	68 616 186	215 836	72 687 684
Own balances	36 097	2 298 834	26 261	2 361 192
Client-related balances	3 819 565	66 317 352	189 575	70 326 492
Financial liabilities				
Derivative financial instruments	–	22 008	–	22 008
Investment contracts	–	35 803 757	189 575	35 993 332
Purchase consideration payable	–	–	58 003	58 003
Third-party liabilities arising on consolidation of mutual funds	–	34 286 692	–	34 286 692
	–	70 112 457	247 578	70 360 035
Own balances	–	–	58 003	58 003
Client-related balances	–	70 112 457	189 575	70 302 032

36. Risk management (continued)

Financial risk management (continued)
Fair value estimation *(continued)*
Level 3 financial instruments
The following tables present the changes in level 3 financial instruments during the reporting periods under review:

	Unit-linked investments[1] R000	Equity securities R000	Total R000
Assets			
Carrying value at 1 March 2021	217 549	8 962	226 511
Additions	13 138	–	13 138
Disposals	(30 111)	(3 145)	(33 256)
Gains recognised in profit or loss[2]	7 887	1 556	9 443
Carrying value at 28 February 2022	208 463	7 373	215 836
Additions	27 888	–	27 888
Disposals	(117 768)	(11 055)	(128 823)
Gains recognised in profit or loss[2]	18 792	3 922	22 714
Carrying value at 28 February 2023	137 375	240	137 615

[1] *Gains on these items were recognised in profit or loss under 'net fair value gains and losses on financial instruments' and 'net income attributable to investment contract holders and third-party liabilities'.*

[2] *Gains recognised in profit or loss include unrealised gains of R25.7 million and realised losses of R3.0 million for the 2023 financial year (2022: unrealised gains of R9.2 million and realised gains of R0.2 million).*

	Purchase consideration payable in credit R000	Investment contracts[3] R000	Total R000
Liabilities			
Carrying value at 1 March 2021	49 036	196 373	245 409
Additions	52 019	10 988	63 007
Settlements	(43 052)	(32 747)	(75 799)
Losses recognised in profit or loss[4]	–	14 961	14 961
Carrying value at 28 February 2022	58 003	189 575	247 578
Additions	32 741	19 768	52 509
Settlements	(43 961)	(127 363)	(171 324)
Acquisition of subsidiaries (refer to note 34.3)	500	–	500
Losses recognised in profit or loss[4]	–	18 803	18 803
Carrying value at 28 February 2023	47 283	100 783	148 066

[3] *Losses on these items were recognised in profit or loss under the line item 'net income attributable to investment contract holders and third-party liabilities'.*

[4] *Losses recognised in profit or loss include unrealised losses of R21.0 million and realised gains of R2.2 million for the 2023 financial year (2022: unrealised losses of R14.8 million and realised gains of R0.2 million).*

36. Risk management (continued)

Offsetting

The group does not have any financial assets or financial liabilities that are currently subject to offsetting in accordance with IAS 32 – Financial Instruments: Presentation.

However, the derivative assets of R9.6 million (2022: R13.2 million) and derivative liabilities of R14.6 million (2022: R22.0 million) are subject to a master netting arrangement, with a net exposure of R5.0 million (2022: R8.9 million).

Insurance risk

Insurance activities expose the group to insurance risk (including pricing risk, reserving risk, underwriting risk and reinsurance risk).

Insurance risk is the risk that future claims and expenses will exceed the allowance for expected claims and expenses in the measurement of policyholder liabilities and in product pricing.

Long-term insurance contracts

The insurance risk that PSG Life Limited is exposed to arises from an annuitant book with 39 (2022: 46) policies which are in the process of being run off, with a total liability value of R12.4 million (2022: R14.3 million). The insurance risk associated with this line of business is longevity risk, as there is a risk of loss that could arise should annuitants live longer than expected.

The loss arises as a result of the company having undertaken to make regular payments to the policyholders for their remaining lives. The most significant risk on these liabilities is continued medical advances and improvement in social conditions that lead to longevity improvements being better than expected.

The group manages the longevity risk by making use of standard mortality tables in calculating the life expectancy of its annuitants. However, the risk is not seen as material due to the size of this annuitant book.

The profile of annuity amounts payable per life in respect of annuities is as follows:

	2023		2022	
Annuity amount per annum (R)	Number of annuities	Annual annuity exposure R000	Number of annuities	Annual annuity exposure R000
0 – 50 000	24	552	29	660
50 001 – 100 000	9	603	11	728
100 001 – 150 000	2	239	1	132
150 001 – 200 000	3	548	3	528
200 001 – 999 999 999	1	211	2	517

The table above shows that the concentration risk is likely to be small given the number of lives and the annuity profile being heavily weighted to lower annuity amounts per annum.

In the measurement of annuitant liabilities, a margin as described in the accounting policies is subtracted from the best estimate mortality. The best estimate mortality includes an allowance for future mortality improvements.

Significant assumptions used in determining the policyholder liability on this annuitant book were as follows:

- Mortality table: 95.00% of a (55), less a three-year age adjustment
- Annuity bonus: based on 75% of the long-term Prudential Authority inflation curve for both mCubed and Glenrand policies (2022: 65% and 75% respectively), with 13th cheques allowed for mCubed policies; average future bonus rate of 5.18% for both Glenrand and mCubed policies (2022: 4.1% and 3.6% respectively)
- Investment returns: based on the long-term Prudential Authority nominal yield curve effective 28 February 2023 and 28 February 2022

The investment strategy followed for assets held to cover these liabilities is to match the liability cash flows as closely as possible, given the availability of appropriate inflation-linked bonds. The targeted return of these portfolios is to earn returns which at least match inflation. This is reviewed by the investment committee as well as the statutory actuary of PSG Life Limited on at least an annual basis.

The group issues contracts that transfer insurance risk or financial risk or both. This section summarises these risks and the way the group manages them.

36. Risk management (continued)

Insurance risk (continued)

Non-life insurance contracts

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, the materialisation of risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur when the frequency or severity of claims and benefits is greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the estimate established using statistical techniques. Changing risk parameters and unforeseen factors, such as patterns of crime, economic and geographical circumstances, may result in unexpectedly large claims.

Pricing and reserving

The group bases its pricing policy on the theory of probability. Underwriting limits are set for underwriting managers and brokers to ensure that this policy is consistently applied. The group also has the right to reprice and change the conditions for accepting risks on renewal. It also has the ability to impose deductibles and reject fraudulent claims.

The group is exposed to accumulation risk in the form of geographical (large metropolitan areas), as well as class of business concentrations of risk. The risk appetite policy dictates how much capital the group is willing to put at risk in the pursuit of value. It is within this risk appetite framework that the reinsurance programme has been selected to mitigate accumulation risk within its portfolio.

The reinsurance arrangements include excess, stop-loss and catastrophe coverage.

Claim provisions for all classes of business are regularly reviewed to make sure they are sufficient. These analyses draw on the expertise and experience of a wide range of specialists, such as underwriting and accounting experts.

Capital adequacy management aims to manage the risk that the net technical reserves held on the statement of financial position to fund reported and future claims as well as their associated expenses may prove insufficient.

The group holds its technical reserves at the minimum levels of sufficiency in accordance with prudential guidelines and legal requirements. The group aims to be conservative in the holding of technical reserves to protect its capital.

Underwriting risk

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio. Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

The concentration of insurance risk in relation to the type of insurance risk accepted, as well as the relative geographical concentration of the risk is summarised in the table below:

	2023		2022	
	Type of insurance risk		Type of insurance risk	
Geographical location	Motor %	Non-motor %	Motor %	Non-motor %
South Africa	41	59	41	59
Namibia	32	68	32	68
	40	60	41	59

Of the group's gross written premium of R1.9 billion for the year ending 28 February 2023 (2022: R1.7 billion), 94% (2022: 94%) was generated within South Africa, 6% (2022: 6%) within Namibia.

Refer to page 96 for mitigating controls put in place as part of the risk management framework to address underwriting risk.

36. Risk management (continued)

Insurance risk (continued)

Non-life insurance contracts *(continued)*

Frequency and severity of claims

The frequency and severity of claims can be affected by several factors. The group manages these risks through its underwriting strategy, adequate reinsurance arrangements and proactive claims handling.

The underwriting strategy attempts to ensure that the underwritten risks are well diversified in terms of type and amount of risk, industry and geography.

Sources of uncertainty in the estimation of future claim payments

Claims are payable on a claims-occurrence basis. The group is liable for all insured events that occurred during the term of the contract, even if the loss is discovered after the end of the contract term. As a result, liability claims are settled over a long period of time, and a larger element of the claims provision relates to incurred but not reported claims. There are several variables that affect the amount and timing of cash flows from these contracts. These mainly relate to the inherent risks of the business activities carried out by the individual contract holders and the risk management procedures they adopted.

In calculating the estimated cost of unpaid claims (both reported and not), the group's estimation techniques are a combination of loss-ratio-based estimates (where the loss ratio is defined as the ratio between the ultimate cost of insurance claims and insurance premiums earned in a particular financial year in relation to such claims) and an estimate based on actual claims experience using predetermined formulae where greater weight is given to actual claims experience as time passes.

Development of claims

Due to the nature of the insurance contracts, the uncertainty about the amount and timing of claims payments is typically resolved within one year.

Capital risk management

The group's objectives when managing capital (which comprises shareholder's equity) are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure. The group considers the optimal capital structure to be a structure in which the optimal level of capital is maintained in the most effective way by balancing the needs of shareholders, policyholders and regulators, with the main focus being one of maximising shareholder value. This requires the group to manage the levels of capital within each regulated entity in the group to keep these in line with the capital requirements for that entity, as well as to ensure that this reflects and is consistent with the group's risk profile and risk appetite. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

When funding is required, management will consider the various forms of paper available for issue, taking into account current market conditions, anticipated trends in market indicators and the financial position of the group at the time. Management will consider issuing ordinary shares, or short, long or medium-term borrowings with variable or fixed rates accordingly.

PSG Konsult Limited facilitates the efficient deployment of capital to the various subsidiaries in the group. The company will therefore retain sufficient capital to satisfy the groups risk appetite as well as to facilitate growth. The Exco and Manco provide oversight for the capital management of the group.

Certain subsidiaries have regulatory capital adequacy requirements as a result of the respective industries in which they operate. PSG Life Limited is required to hold a minimum amount of capital in order to reduce the policyholders' exposure to the company's liquidity risk. The Prudential Authority regularly reviews compliance with these minimum capital requirements as the regulatory authority. The company must maintain shareholders' funds that will be sufficient to meet obligations in the event of substantial deviations from the main assumptions affecting the company's business. PSG Life Limited met the solvency requirements, in accordance with the regulations and the guidelines issued by the Prudential Authority, as at 28 February 2023.

36. Risk management (continued)

Capital risk management (continued)

A subsidiary of the group, Western Group Holdings Limited (Western Group), operates in the short-term insurance industry. The objectives when managing capital are to safeguard its ability to continue as a going concern and to ensure optimal capital adequacy management in order to manage the risk that the net technical reserves held on the statement of financial position are sufficient to fund reported and future claims as well as their associated expenses. Capital management is done through reinsurance and reserving. The group is exposed to accumulation risk in the form of geographical (large metropolitan areas) as well as class of business concentrations of risk. The risk appetite policy dictates how much capital the group is willing to put at risk in the pursuit of value. It is within this risk appetite framework that the reinsurance programme has been selected to mitigate accumulation risk within its portfolio. The reinsurance arrangements include excess, stop-loss and catastrophe coverage. The group manages its capital requirements in accordance with the guidelines and statutory regulations of each regulator in the various jurisdictions. The group holds its technical reserves at the minimum levels of sufficiency in accordance with prudential guidelines and legal requirements. The group aims to be conservative in the holding of technical reserves to protect its capital. The entities within the Western Group met their capital requirements as at 28 February 2023.

The capital levels of the non-insurance companies and subsidiaries are based on operational requirements (subject to any regulatory capital requirements), taking into account new business targets.

Group restrictions on assets and liabilities

The group does not have any significant restrictions on its ability to access or use its assets and settle its liabilities other than those required by supervisory regulatory frameworks.

Group credit risk

During July 2022, GCR affirmed the group's long-term and short-term credit ratings at A+(ZA) and A1(ZA) respectively, with a stable outlook.

Financial risk inherent in consolidated mutual funds

The group consolidates a number of collective investment schemes as a result of exercising control over these funds, and the risk management framework is therefore applicable to the risk management of the fund. Refer to Annexure B for information on the mutual funds consolidated.

Because of the specific nature of the business of the schemes, the risk management principles may be applied differently to managing the risks relevant to the schemes from the way the overall financial risks are managed. This section describes how the financial risk management of the schemes differs from the overall financial risk management.

The management company of the scheme has a dedicated independent risk function that continuously monitors the overall risk of the portfolios against stated mandate limits and the portfolio risk appetites over time. To avoid conflicts of interest, the function is separate from the investment team and reports directly to the COO of the management company.

When considering any new investment for a scheme, the risks and expected returns are critical elements in the investment decision. Before an instrument is included in a portfolio, risks are carefully considered at instrument and portfolio levels. The scheme mandate is also assessed.

A portfolio market risk appetite is measured as a function of current market conditions and a benchmark, which translates into a targeted tracking error that is monitored by the independent risk unit. Credit and liquidity risks are mitigated through diversification of issuers in line with the policy.

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COMPANY FINANCIAL STATEMENTS

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Company statement of financial position

as at 28 February 2023

	Notes	2023 R000	2022 R000
Assets			
Investment in subsidiaries	1	**1 678 138**	1 678 138
Unit-linked investments	3	**177 340**	329 374
Loans and advances	4	**265 222**	158 849
Receivables	5	**1 453**	586
Current income tax asset		**–**	268
Cash and cash equivalents (including money market funds)	6	**326 797**	240 834
Total assets		**2 448 950**	2 408 049
Equity			
Equity attributable to owners of the company			
Stated capital	7	**1 411 717**	1 827 571
Retained earnings		**979 610**	523 690
Total equity		**2 391 327**	2 351 261
Liabilities			
Borrowings	8	**475**	480
Deferred income tax liability	2	**2 540**	939
Trade and other payables	9	**54 266**	55 369
Current income tax liability		**342**	–
Total liabilities		**57 623**	56 788
Total equity and liabilities		**2 448 950**	2 408 049

Company statement of comprehensive income

for the year ended 28 February 2023

	Notes	2023 R000	2022 R000
Interest income on amortised cost financial instruments	10	**5 075**	4 060
Interest income on fair value through profit or loss financial instruments	10	**16 820**	11 199
Dividend income	10	**873 096**	612 927
Net fair value gains and losses on financial instruments	11	**7 126**	3 307
Total income		**902 117**	631 493
Marketing, administration and other expenses	12	**(1 793)**	(1 362)
Total expenses		**(1 793)**	(1 362)
Profit before finance costs and taxation		**900 324**	630 131
Finance costs	13	**(16)**	(13)
Profit before taxation		**900 308**	630 118
Taxation	14	**(7 757)**	(5 018)
Profit for the year		**892 551**	625 100
Total comprehensive income for the year		**892 551**	625 100

Company statement of changes in equity

for the year ended 28 February 2023

	Stated capital R000	Retained earnings R000	Total R000
Balance at 1 March 2021	1 937 156	253 213	2 190 369
Comprehensive income			
Total comprehensive income for the year	–	625 100	625 100
Transactions with owners	(109 585)	(354 623)	(464 208)
Repurchase and cancellation of ordinary shares	(109 585)	–	(109 585)
Dividends paid	–	(354 623)	(354 623)
Balance at 28 February 2022	1 827 571	523 690	2 351 261
Comprehensive income			
Total comprehensive income for the year	**–**	**892 551**	**892 551**
Transactions with owners	**(415 854)**	**(436 631)**	**(852 485)**
Repurchase and cancellation of ordinary shares	**(415 854)**	**–**	**(415 854)**
Dividends paid	**–**	**(436 631)**	**(436 631)**
Balance at 28 February 2023	**1 411 717**	**979 610**	**2 391 327**

Company statement of cash flows

for the year ended 28 February 2023

	Notes	2023 R000	2022 R000
Cash flows from operating activities			
Cash (utilised in)/generated by operations	18.1	**(110 141)**	115 006
Interest received		**12 572**	5 932
Dividends received		**871 579**	612 672
Finance costs		**(16)**	(13)
Taxation paid	18.2	**(5 546)**	(4 196)
Net cash flow from operating activities		**768 448**	729 401
Cash flows from investing activities			
Acquisition of unit-linked investments		**(66 300)**	(197 000)
Disposal of unit-linked investments		**236 300**	50 000
Net cash flow from investing activities		**170 000**	(147 000)
Cash flows from financing activities			
Dividends paid		**(436 631)**	(354 623)
Repurchase of ordinary shares		**(415 854)**	(109 585)
Net cash flow from financing activities		**(852 485)**	(464 208)
Net increase in cash and cash equivalents		**85 963**	118 193
Cash and cash equivalents at the beginning of the year		**240 834**	122 641
Cash and cash equivalents at the end of the year	18.3	**326 797**	240 834

Notes to the company financial statements

for the year ended 28 February 2023

Basis of preparation and accounting policies

The basis of preparation and accounting policies of the company are the same as that of the group, as set out in Annexure A. These financial statements should be read in conjunction with the group financial statements.

1. Investment in subsidiaries

	2023 R000	2022 R000
Unlisted shares at cost less impairment	**1 678 138**	1 678 138

Interest in subsidiaries acquired and sold

There were no changes to the investment in subsidiaries during the current reporting period (2022: no changes).

Impairment

An assessment for impairment was performed by comparing the carrying value of the individual subsidiaries with the calculated fair value less cost to sell. The fair value is determined by applying a PE ratio to the profit after tax for each subsidiary for the respective financial years. The PE ratios are determined with reference to similar listed companies, adjusted for specific risks applicable to each subsidiary, as well as recent transactions concluded in the market and were determined as between 5.0 and 7.5 (2022: 5.0 and 7.5).

General

Refer to Annexure B for the schedule of interests in subsidiaries.

2. Deferred income tax

	2023 R000	2022 R000
Deferred income tax asset	13	60
Deferred income tax liability	(2 553)	(999)
Net deferred income tax liability	(2 540)	(939)
Deferred income tax asset		
To be recovered within 12 months	13	60
To be recovered after 12 months	–	–
	13	60
Deferred income tax liability		
To be recovered within 12 months	(241)	(260)
To be recovered after 12 months	(2 312)	(739)
	(2 553)	(999)

The movement in the deferred income tax asset during the year was as follows:

Deferred income tax asset	**Accruals not currently deductible R000**	**Total R000**
Carrying value at 1 March 2021	11	11
Credit to profit or loss	49	49
Carrying value at 28 February 2022	60	60
Charge to profit or loss	(47)	(47)
Carrying value at 28 February 2023	13	13

2. Deferred income tax (continued)

The movement in the deferred income tax liability during the year was as follows:

Deferred income tax liability	**Unrealised appreciation of investments R000**	**Total R000**
Carrying value at 1 March 2021	(209)	(209)
Charge to profit or loss	(790)	(790)
Carrying value at 28 February 2022	(999)	(999)
Charge to profit or loss	(1 554)	(1 554)
Carrying value at 28 February 2023	(2 553)	(2 553)

The deferred income tax asset and liability were calculated on all temporary differences under the liability method using the effective tax rate of 28% (2022: 28%).

The recoverability of the deferred income tax asset was assessed as set out in the detailed accounting policies in Annexure A.

3. Unit-linked investments

	2023 R000	2022 R000
Carrying value at the beginning of the year	329 374	169 485
Additions	66 300	197 000
Disposals	(236 300)	(50 000)
Unrealised fair value net gains	7 126	3 307
Interest and dividends reinvested	10 840	9 582
Carrying value at the end of the year	177 340	329 374
Current portion	82 515	310 816
Non-current portion	94 825	18 558
	177 340	329 374

4. Loans and advances

	2023 R000	2022 R000
Loans to related parties (refer to note 17)	265 222	158 849
Current portion	265 222	158 849
Non-current portion	–	–
	265 222	158 849

The loans to related parties are repayable on demand and interest-free.

The fair values of the loans and advances approximate their carrying values. Loans and advances are shown net of amounts which are not expected to be recoverable.

Notes to the company financial statements

for the year ended 28 February 2023

4. Loans and advances (continued)

Expected credit losses

Expected credit losses for loans to related parties are measured under the general model as prescribed by IFRS 9.

The period over which the expected credit loss is calculated is limited to the maximum contractual period of the loan. For loans that are repayable on demand, the contractual period is the period needed to transfer the cash once demanded. The expected credit losses are based on the assumption that the repayment of the loan is demanded at the reporting date. As such, the impact of incorporating forward-looking information is immaterial, due to the short period over which the expected credit loss assessment is performed.

The financial information of the borrower at the reporting date is inspected to determine:

- if the borrower has sufficient accessible highly liquid assets or facilities in order to repay the loan if demanded at the reporting date, and
- that there is no senior debt which the borrower would need to repay before the intergroup loan being assessed.

In such a scenario, assuming that the entity has no restrictions on its liquid assets and could meet a demand to repay the loan at the reporting date, no expected credit loss would be recognised unless the impact of discounting from when the repayment is demanded until it is paid is material.

The related parties were assessed to have sufficient accessible liquid assets or facilities available to repay the loans in full, taking into consideration any senior debt which the borrower would need to repay first, should repayment be demanded on the reporting date. Management therefore determined that any expected credit losses as well as the impact of discounting would be immaterial.

The maximum exposure to credit risk at the reporting date is the fair value of the loans and advances mentioned above.

5. Receivables

	2023 R000	2022 R000
Trade receivables	**1 453**	586
Current portion	**1 453**	586
Non-current portion	**–**	–
	1 453	586

The receivables are interest-free and repayable on demand. The carrying value approximates fair value.

In terms of IFRS 9, the company has applied the simplified approach to determine the expected credit loss, which was deemed to be immaterial.

6. Cash and cash equivalents (including money market funds)

	2023 R000	2022 R000
Cash at bank	**17 423**	19 050
Money market funds	**213 674**	125 884
Short-term deposits	**95 700**	95 900
	326 797	240 834

The effective-interest rate on cash and cash equivalents (including money market funds) was 5.59% (2022: 3.58%). The money market funds and the short-term deposits have an average maturity of 30 days or less.

Impairments on cash and cash equivalents carried at amortised cost are measured on a 12-month expected credit loss basis and reflect the short-term maturities of the exposures. The company considers that its cash and cash equivalents have good credit quality based on the external credit ratings of the counterparties. Management therefore determined that any expected credit losses would be immaterial.

7. Stated capital

Authorised

3 billion shares with no par value
(2022: 3 billion shares with no par value)

There were no changes to the authorised stated capital during the current reporting period (2022: no changes).

	Number of shares (thousands)	**Stated capital R'000**
As at 1 March 2021	1 340 930	1 937 156
Repurchase and cancellation of shares	(9 558)	(109 585)
As at 28 February 2022	1 331 372	1 827 571
Repurchase and cancellation of shares	**(35 683)**	**(415 854)**
As at 28 February 2023	**1 295 689**	**1 411 717**

During the 2023 financial year, the company repurchased and cancelled 35.7 million ordinary shares at a cost of R415.9 million at a weighted average cost price of R11.65 per share. The cost was deducted from stated capital. The buy back and cancellation were approved by shareholders at the 2022 AGM.

During the 2022 financial year, the company repurchased and cancelled 9.6 million ordinary shares at a cost of R109.6 million at a weighted average cost price of R11.46 per share. The cost was deducted from stated capital. The buy back and cancellation were approved by shareholders at the 2021 AGM.

All shares issued by the company were fully paid. The unissued shares in the company are placed under the control of the directors until the next AGM. The directors are authorised to buy back shares under general approval, subject to certain limitations and the JSE Listings Requirements.

8. Borrowings

	2023 R000	2022 R000
Related-party loans (refer to note 17)	**475**	480
Current portion	**475**	480
Non-current portion	**–**	–
	475	480

The related-party loans are unsecured, interest-free and repayable on demand.

The carrying value of the borrowings approximates their fair value.

9. Trade and other payables

	2023 R000	2022 R000
Trade payables	**54 257**	55 360
VAT payable	**9**	9
Total trade and other payables[1]	**54 266**	55 369
Current portion	**54 266**	55 369
Non-current portion	**–**	–
	54 266	55 369

[1] *Includes non-financial liabilities of R0.009 million (2022: R0.009 million).*

The carrying amount of trade and other payables approximates their fair value.

Notes to the company financial statements

for the year ended 28 February 2023

10. Investment income

	2023 **R000**	2022 R000
Interest income		
Interest income on amortised cost financial instruments		
Interest received from related parties (refer to note 17)	**–**	29
Cash and short-term funds	**5 075**	4 031
	5 075	4 060
***Interest income on fair value through profit or loss financial instruments*[1]**		
Interest received from related parties (refer to note 17)	**16 820**	11 199
	16 820	11 199
	21 895	15 259
Dividend income[1]		
Dividend income from related parties (refer to note 17)	**873 096**	612 927
	873 096	612 927
Total investment income	**894 991**	628 186

[1] *The interest income on fair value through profit or loss financial instruments and the dividend income are recognised on financial instruments mandatorily at fair value through profit or loss.*

11. Net fair value gains and losses on financial instruments

	2023 **R000**	2022 R000
Unrealised net fair value gains on unit-linked investments	**7 126**	3 307

12. Marketing, administration and other expenses

	2023 **R000**	2022 R000
Auditor's remuneration	**78**	69
Professional fees	**1 438**	1 079
Administration costs	**277**	214
	1 793	1 362

13. Finance costs

	2023 **R000**	2022 R000
Other payables	**16**	13

14. Taxation

	2023 **R000**	2022 R000
Current taxation		
Current year	**6 156**	4 277
Deferred taxation		
Current year	**1 601**	741
Total income statement charge	**7 757**	5 018

The company has no unutilised tax losses available at 28 February 2023 (28 February 2022: Rnil) for utilisation against future taxable income.

Reconciliation of effective rate of taxation	**2023** **%**	2022 %
South African normal taxation rate	**28.0**	28.0
Adjusted for:		
Non-taxable income[1]	**(27.2)**	(27.2)
Non-deductible charges	**0.1**	–
Effective rate of taxation	**0.9**	0.8

[1] *The non-taxable income relates to dividend income.*

15. Dividend per share

	2023 **R000**	2022 R000
Normal dividend	**436 631**	354 623

Interim
11.0 cents per share (2022: 10.0 cents per share)

Final
25.0 cents per share (2022: 22.0 cents per share)

Dividends are not accounted for until they have been approved by the company's board of directors.

16. Borrowing powers

In terms of the company's MOI, borrowing powers are unlimited. Details of actual borrowings of the company are disclosed in note 8 to the company financial statements.

Notes to the company financial statements

for the year ended 28 February 2023

17. Related-party transactions

PSG Konsult Limited and its subsidiaries enter into various transactions with members of the PSG Konsult Group. These transactions include a range of investment, administrative and corporate services in the normal course of business.

Related-party balances	**2023 R000**	2022 R000
Loans and advances		
Due from companies in the PSG Konsult Limited Group		
PSG Management Services Proprietary Limited	**142 952**	35 696
PSG Konsult Treasury Limited	**70 756**	44 106
PSG Konsult Group Share Incentive Trust	**51 514**	79 047
	265 222	158 849
Refer to note 4 for the detail of the terms of the loans to related parties.		
Borrowings		
Due to companies in the PSG Konsult Limited Group		
PSG Insure Holdings Proprietary Limited	**475**	480
	475	480
Refer to note 8 for the detail of the terms of the related-party loans.		
Unit-linked investments		
Investments in related parties		
Local unit trusts	**177 340**	329 374
	177 340	329 374
Cash and cash equivalents (including money market funds)		
Investments in related parties		
Local unit trusts	**213 674**	125 884
	213 674	125 884

Related-party transactions	**2023 R000**	2022 R000
Interest income		
Received from companies in the PSG Konsult Limited Group		
PSG Multi Management Proprietary Limited	**–**	29
Received from related parties		
Local unit trusts	**16 820**	11 199
	16 820	11 228
Dividend income		
Received from companies in the PSG Konsult Limited Group		
PSG Wealth Holdings Proprietary Limited	**201 000**	214 514
PSG Distribution Holdings Proprietary Limited	**268 579**	281 158
PSG Asset Management Holdings Proprietary Limited	**402 000**	117 000
Received from related parties		
Local unit trusts	**1 517**	255
	873 096	612 927

The shareholding of directors and the directors' remuneration are set out in the report of the board of directors.

17. Related-party transactions (continued)

Key management compensation

Key management are those persons who have authority and responsibility for planning, directing and controlling the activities of the group. Key management is considered to be the board of directors and the prescribed officers. For the detail of the audited directors' and prescribed officers' remuneration, refer to the report of the board of directors on pages 121 and 122.

18. Notes to the statement of cash flows

	2023 R000	2022 R000
18.1 Cash (utilised in)/generated by operations		
Profit before finance costs and taxation	**900 324**	630 131
Adjustment for non-cash items and other:		
Interest income	**(21 895)**	(15 259)
Dividend income	**(873 096)**	(612 927)
Net fair value gains on financial instruments	**(7 126)**	(3 307)
	(1 793)	(1 362)
Changes in working capital		
Receivables	**(867)**	(338)
Loans and advances	**(106 373)**	108 007
Borrowings	**(5)**	–
Trade and other payables	**(1 103)**	8 699
	(110 141)	115 006
18.2 Taxation paid		
Charge to profit or loss	**(7 757)**	(5 018)
Movement in deferred taxation	**1 601**	741
Movement in net taxation liability	**610**	81
	(5 546)	(4 196)
18.3 Cash and equivalents at the end of the year		
Cash and cash equivalents (including money market funds)	**326 797**	240 834

19. Events after the reporting date

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

20. Risk management

Financial risk management

Financial risk factors

The company's activities expose it to a variety of financial risks: market risk (including cash flow and fair value interest rate risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Risk management is carried out under policies approved by the board of directors. The management of PSG Konsult identifies, evaluates and mitigates financial risks. The board of directors provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative and nonderivative financial instruments and investment of excess liquidity.

Financial instruments are grouped into the following classes in order to facilitate effective financial risk management and disclosure in terms of IFRS 7 – Financial Instruments: Disclosures and IFRS 13 – Fair Value Measurement:

Assets	**2023 R000**	2022 R000
Financial assets carried at amortised cost		
Loans and advances[1]	**265 222**	158 849
Receivables[1]	**1 453**	586
Cash and cash equivalents (including money market funds)[1]	**113 123**	114 950
Financial assets carried at fair value through profit or loss		
Unit-linked investments	**177 340**	329 374
Cash and cash equivalents (including money market funds)	**213 674**	125 884
Total financial assets	**770 812**	729 643

Liabilities	**2023 R000**	2022 R000
Financial liabilities carried at amortised cost		
Borrowings[1]	**475**	480
Trade and other payables[1]	**54 257**	55 360
Total financial liabilities	**54 732**	55 840

[1] *Carrying value approximates fair value.*

20. Risk management (continued)

Financial risk management (continued)

Market risk

Cash flow and fair value interest rate risk

The company's interest rate risk arises from unit-linked investments, loans and advances, receivables, cash and cash equivalents, borrowings and trade and other payables.

	2023			2022		
	Floating rate R000	**Interest-free and non-interest bearing R000**	**Carrying value R000**	Floating rate R000	Interest-free and non-interest bearing R000	Carrying value R000
Unit-linked investments	**19 849**	**157 491**	**177 340**	241 744	87 630	329 374
Loans and advances	**–**	**265 222**	**265 222**	–	158 849	158 849
Receivables	**–**	**1 453**	**1 453**	–	586	586
Cash and cash equivalents	**326 796**	**–**	**326 796**	240 834	–	240 834
Borrowings	**–**	**(475)**	**(475)**	–	(480)	(480)
Trade and other payables	**–**	**(54 257)**	**(54 257)**	–	(55 360)	(55 360)
	346 645	**369 434**	**716 079**	482 578	191 225	673 803

The company manages its cash flow interest rate risk by monitoring interest rates on a regular basis.

Based on simulations performed, the impact on post-tax profit of a 1% (2022: 1%) movement in interest rates is analysed below:

	2023 1% increase R000	2022 1% increase R000	**2023 1% decrease R000**	2022 1% decrease R000
Impact on post-tax profit and equity	**2 496**	3 475	**(2 496)**	(3 475)

Credit risk

Credit risk arises from the inability or unwillingness of a counterparty to a financial instrument to discharge its contractual obligations. Credit risk comprises default, settlement and migration risk (if credit ratings change).

Credit risk arises from unit-linked investments, cash and cash equivalents, loans and advances and receivables. Counterparties and cash transactions are limited to high-credit-quality financial institutions.

The table below shows the company's maximum exposure to credit risk by class of asset:

	2023		2022	
	Balance R000	**Collateral fair value R000**	Balance R000	Collateral fair value R000
Unit-linked investments	**177 340**	**–**	329 374	–
Loans and advances	**265 222**	**–**	158 849	–
Receivables	**1 453**	**–**	586	–
Cash and cash equivalents	**326 797**	**–**	240 834	–
	770 812	**–**	729 643	–

Notes to the company financial statements

for the year ended 28 February 2023

20. Risk management (continued)

Financial risk management (continued)

Credit risk *(continued)*

Receivables are tested for impairment using a variety of techniques, including assessing credit risk and monthly monitoring of individual debtors. At 28 February 2023 and 28 February 2022, the expected credit loss calculated in terms of IFRS 9 was immaterial.

Financial assets are assessed based on their credit ratings as published by Moody's. Financial assets which fall outside this range are classified as not rated. Credit limits, for each counterparty, are set based on default probabilities that are, in turn, based on the ratings of the counterparty concerned.

The credit quality of financial assets can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	2023 R000	2022 R000
P1	97 689	98 566
Other non-rated assets	282 109	175 819
Unit-linked investments (including CIS)	391 014	455 258
	770 812	729 643

The table below analyses the company's external credit rating by class of asset:

	P1 R000	Unit-linked investments (incl CIS) R000	Other non-rated assets R000	Total R000
At 28 February 2023				
Unit-linked investments	–	177 340	–	177 340
Loans and advances	–	–	265 222	265 222
Receivables	–	–	1 453	1 453
Cash and cash equivalents	97 689	213 674	15 434	326 797
	97 689	391 014	282 109	770 812
At 28 February 2022				
Unit-linked investments	–	329 374	–	329 374
Loans and advances	–	–	158 849	158 849
Receivables	–	–	586	586
Cash and cash equivalents	98 566	125 884	16 384	240 834
	98 566	455 258	175 819	729 643

The unit-linked investments relate to the company's investment in related-party collective investment schemes. The company's exposure to collective investment schemes is classified at fund level and not at the underlying asset level, and although collective investment schemes are not rated, the fund managers of these collective investment schemes are required to invest in assets within the defined parameters stipulated in the fund's mandate. These rules limit the extent to which fund managers can invest in unlisted and/or unrated assets and generally restrict funds to the acquisition of investment grade assets.

Loans and advances

Loans and advances consist of loans to related parties and are repayable on demand. The loans and advances have been assessed to have good credit quality. Refer to note 4 for detail on the credit loss assessment performed.

20. Risk management (continued)

Financial risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the business, it aims to maintain flexibility in funding by keeping committed credit lines available.

The table below analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying values as the impact of discounting is not significant.

	Carrying value R000	Less than 1 year R000	Between 1 and 5 years R000	Over 5 years R000
At 28 February 2023				
Borrowings	475	475	–	–
Trade and other payables	54 257	54 257	–	–
	54 732	54 732	–	–
At 28 February 2022				
Borrowings	480	480	–	–
Trade and other payables	55 360	55 360	–	–
	55 840	55 840	–	–

Fair value estimation

Financial instruments that are measured in the statement of financial position at fair value are disclosed by level based on the following fair value measurement hierarchy, as required by IFRS 7 – Financial Instruments: Disclosures and IFRS 13 – Fair Value Measurement:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. Instruments included in level 1 comprise primarily JSE equity investments classified as at fair value through profit or loss.

Level 2 – Input other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Financial instruments that trade in markets that are not considered to be active but are valued (using valuation techniques) based on quoted market prices, dealer quotations or alternative pricing sources supported by observable input are classified within level 2. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3 – Input for the asset or liability that is not based on observable market data (that is, unobservable input)

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. Investments classified within level 3 have significant unobservable input, as they trade infrequently.

Notes to the company financial statements

for the year ended 28 February 2023

20. Risk management (continued)

Financial risk management (continued)

Fair value estimation *(continued)*

Valuation techniques and assumptions used in determining the fair value of level 2 instruments

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

Instrument	Valuation basis/techniques	Main assumptions
Unit-linked investments	Quoted put (exit) price provided by the fund manager based on the net asset value of the fund	Not applicable – daily prices are publicly available
Cash and cash equivalents (including money-market funds)	Quoted put (exit) price provided by the fund manager based on the net asset value of the fund	Not applicable – daily prices are publicly available

Fair value hierarchy

The following financial assets are measured at fair value:

	Level 1 R000	Level 2 R000	Level 3 R000	Total R000
At 28 February 2023				
Unit-linked investments	–	177 340	–	177 340
Cash and cash equivalents (including money market funds)	–	213 674	–	213 674
	–	391 014	–	391 014
At 28 February 2022				
Unit-linked investments	–	329 374	–	329 374
Cash and cash equivalents (including money market funds)	–	125 884	–	125 884
	–	455 258	–	455 258

Capital risk management

The company's objectives when managing capital (which comprises shareholder's equity) are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

When funding is required, management will consider the various forms of paper available for issue, taking into account current market conditions, anticipated trends in market indicators and the financial position of the company at the time. Management will accordingly consider issuing ordinary shares, or short-, long- or medium-term borrowings with variable or fixed rates.

Credit rating

During July 2022, GCR affirmed the PSG Konsult's long-term and short-term credit ratings at A+(ZA) and A1(ZA) respectively, with a stable outlook.

21. Capital commitments and contingencies

PSG Konsult Limited has issued letters of support in the ordinary course of business for the activities of certain of its subsidiaries.

08

ANNEXURES

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Annexure A – detailed accounting policies

for the year ended 28 February 2023

The principal accounting policies applied in the preparation of these group and company financial statements are set out below. The accounting policies applied are in terms of IFRS and are consistent with those applied in the previous group annual financial statements.

1. Standards, interpretations and amendments to published standards that are effective for the first time in 2023

The following amendments and interpretations became effective during the year:

- ***Amendments to IAS 16 – Property, plant and equipment – Proceeds before intended use (effective 1 January 2022)***
  The amendments to IAS 16 prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.
- ***Amendments to IAS 37 – Provisions, contingent liabilities and contingent assets – Onerous contracts – cost of fulfilling a contract (effective 1 January 2022)***
  The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. It specifies that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.
- ***Amendments to IFRS 3 – Business combinations – Reference to the Conceptual Framework (effective 1 January 2022)***
  The amendments to IFRS 3:
  - Update IFRS 3 to refer to the 2018 Conceptual Framework, in order to determine what constitutes an asset or liability in a business combination;
  - Include a new requirement that, for transactions and other events within the scope of IAS 37 or IFRIC 21, an acquirer should apply IAS 37 or IFRIC 21 to identify the liabilities it has assumed in a business combination, rather than the Conceptual Framework; and
  - Clarify that an acquirer should not recognise contingent assets acquired in a business combination.

  These amendments and interpretations had no material impact on the measurement of amounts or disclosures in the current or prior financial years.
- ***Amendment to IFRS 16 – Leases – Covid-19 related rent concessions (effective 1 April 2021)***
  The IASB provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. Due to the ongoing nature of the pandemic, the IASB published an additional amendment to extend the date of the practical expedient to apply to lease payments made on or before 30 June 2022.
- ***Annual improvements 2018 – 2020 cycle (effective 1 January 2022)***
  These amendments include minor changes to:
  - IFRS 9 – Financial instruments – clarification regarding fees to include in the "10 percent" test for derecognition of financial liabilities
  - IFRS 16 – Leases – amendment to illustrative example on lease incentives

2. Standards, interpretations and amendments to published standards that are not yet effective

The following new standards and amendments have been published and are mandatory for the group's accounting periods beginning on or after 1 March 2023 or later periods and have not been early adopted by the group:

- Amendments to IAS 1 – Presentation of Financial Statements – Classification of liabilities (effective 1 January 2024)[*]
- Amendments to IAS 1 – Presentation of Financial Statements – Non-current liabilities with covenants (effective 1 January 2024)[*]
- Amendments to IAS 1 – Presentation of Financial Statements and IFRS Practice Statement 2 – Disclosure of accounting policies (effective 1 January 2023)[+]
- Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors – Definition of accounting estimates (effective 1 January 2023)[*]
- Amendments to IAS 12 – Income Taxes – Deferred tax relates to assets and liabilities arising from a single transaction (effective 1 January 2023)[*]
- Amendment to IFRS 16 – Leases – Lease Liability in a sale and leaseback (effective 1 January 2024)[*]
- IFRS 17 – Insurance Contracts (effective 1 January 2023)[^]

[*] *Management has assessed the impact of these amendments on the reported results of the group and company and does not foresee any impact.*

[+] *Management has assessed the impact of these amendments on the reported results of the group and company and foresees only minor disclosure changes.*

[^] *Refer to page 233 for management's impact assessment.*

2. Standards, interpretations and amendments to published standards that are not yet effective (continued)

2.1 Impact of initial application of new standards that are not yet effective

Standard	Impact of standards
IFRS 17 – Insurance Contracts	**Introduction** Under IFRS 17, the general measurement model (GMM) requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis in each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach (PAA). This simplified approach is applicable for certain types of contracts, including those with a coverage period of one year or less. For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach (VFA) is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur, but over the remaining life of the contract. IFRS 17 will impact the group's short-term insurer, Western. **Project governance** Western has established an IFRS 17 steering committee to oversee the implementation project, which consists of senior management from various functions, including finance, actuarial and risk, and external experts as required. The Western and PSG Konsult audit committees provide ultimate oversight over the project. **Transition approach** The group will apply IFRS 17 as of 1 March 2023 on a fully retrospective basis and comparative figures for 2023 will be restated as required by the transitional provisions of IFRS 17. Any adjustments to the carrying amounts of insurance and reinsurance assets and liabilities at the date of transition (1 March 2022) will be recognised in the opening balance of retained earnings. **Estimated impact of adopting IFRS 17** The group has assessed the impact that the initial application of IFRS 17 will have on its consolidated financial statements as at 1 March 2022. It is estimated that the transitional impact will be an increase in retained earnings of less than R5 million after tax, mainly attributable to a decrease in the net liability position due to certain acquisition costs related to the distribution and underwriting of insurance contracts being expenses in future periods when the related revenue is recognised. Western will apply the PAA accounting model to measure a group of insurance and/or reinsurance contracts issued or reinsurance held if: • at inception of the group of insurance contracts, the coverage period of each contract is one year or less, or • Western reasonably expects that the PAA would produce a measurement of the liability or asset for remaining coverage for a group of insurance contracts that would not differ materially from the measurement that would be achieved by applying the requirements of the GMM. Based on the analysis of insurance policies issued, the company mainly issues short-duration non-life insurance contracts, to which the PAA accounting model will be applied. Based on assessments performed to date, the company does not expect to have contracts to which the GMM or VFA measurement model will be applied. The company expects to continue to use historic claims development factors to determine the expected cost of future claims for the Liability for incurred claims (LIC) and the risk adjustment in the LIC will be determined as being the additional amount required so that the liability for future claims will be sufficient at the 75th – 80th percentile of the ultimate cost distribution. The estimated impact of adoption is provisional as the transition assessment has not yet been finalised, and the actual impact may change due to changes in accounting policies, assumptions, judgements, estimation techniques and transactional systems.

Annexure A – detailed accounting policies

for the year ended 28 February 2023

3. Group financial statements

The group annual financial statements comprise those of the company, its subsidiaries, joint venture and the share incentive trust (share trust). Accounting policies of the subsidiaries and joint venture have been changed, where necessary, to ensure consistency with policies adopted by the group.

3.1 Subsidiaries (including mutual funds) and business combinations

Subsidiaries are all entities (including structured entities, special-purpose entities (SPEs), collective investment schemes and hedge funds) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group and are deconsolidated from the date that control ceases. SPEs are also consolidated where the substance of the relationship indicates that the SPE is controlled by the group.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises a non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

If a business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such remeasurements are recognised in profit or loss.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss, or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Profits and losses resulting from intercompany transactions that are recognised in assets are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

Shares in the company held by the share trust have been consolidated into the financial results of the group, as the group effectively controls these shares, and are accounted for as treasury shares.

Investments in subsidiaries are accounted for at cost less impairment in the separate financial statements. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

3.2 Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with owners in their capacity as owners. The difference between fair value of any consideration paid or received, and the relevant share acquired or disposed of the carrying value of net assets of the subsidiary, is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

3. Group financial statements (continued)

3.3 Accounting for the group's acquisition of the controlling interest in subsidiaries under common control

IFRS 3 – Business Combinations does not apply to business combinations effected between parties that are ultimately controlled by the same entity, both before and after the business combination (and where that control is not transitory), otherwise known as common control transactions. The group has elected to apply the principle of predecessor accounting (as determined by the generally accepted accounting principles in the United States of America) to such transactions.

The accounting policy for the acquiring entity would be to account for the transaction at book values in its consolidated financial statements. The book values of the acquired entity are the consolidated book values as reflected in the consolidated financial statements of the selling entity (highest level of consolidation). The excess of the cost of the transaction over the acquirer's proportionate share of the net asset value acquired in common control transactions will be allocated to the existing common control reserve in equity. As a result, no goodwill is recognised on acquisition. Where comparative periods are presented, the financial statements and financial information presented are not restated as the group elected to account for common control transactions from the date of the acquisition, therefore prospectively.

3.4 Joint arrangements

The group has applied IFRS 11 to all joint arrangements since 1 March 2014. Under IFRS 11, investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method of accounting.

Under the equity method, the investment in joint ventures is initially recognised at cost and subsequently measured in the consolidated statement of financial position at an amount that reflects the group's share of the net assets of the joint venture (including goodwill). The equity method of accounting involves recognising the group's share of its joint ventures' post-acquisition profits or losses in the income statement, and its share of post-acquisition movements in other comprehensive income and movements in other reserves, in the statement of comprehensive income and the statement of changes in equity respectively. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Unrealised gains on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint ventures. Unrealised losses are also eliminated, unless the transaction provides evidence of an impairment of the asset transferred.

Equity accounting is discontinued when the group no longer has joint control over the investment.

3.5 Interests in subsidiaries – mutual funds

The group has assessed its interests in the various mutual fund investments in which the group has the irrevocable asset management agreement over the mutual funds and in which the group has invested significantly. For other mutual funds, other factors such as the existence of control through voting rights held by the group in the fund, or significant economic power in the fund, are considered in the assessment of control. Judgement is required in the assessment of whether the group has control or significant influence in terms of the variability of returns from the group's involvement in the funds, the ability to use power to affect those returns and the significance of the group's investment in the funds. Based on the assessment of control or significant influence over these mutual funds, certain funds have been consolidated and others not. In terms of IFRS 10, the group considers itself to have control of a fund when it both owns the asset manager of the fund and holds approximately 30% economic interest thereof.

3.6 Unconsolidated structured entities – mutual funds

The group invests in various mutual funds which are widely recognised as investment trusts that are regulated by government agencies, marketed and open to public investment. These funds provide investors with access to returns on underlying assets in terms of predefined mandates. Pricing information is publicly available.

Management does not consider these vehicles to be unconsolidated structured entities as defined under IFRS 12, as these funds are vanilla in nature and do not have a complicated funding structure.

4. Segment reporting

The CEO, supported by the group Manco, is the group's CODM as it is responsible for the overall strategic decision-making. Management has determined the operating segments based on the information reviewed by the CODM for the purposes of allocating resources and assessing performance of the operating segments. The composition of the reportable segments represents the internal reporting structure and the monthly reporting to the CODM.

5. Foreign currency translation

5.1 Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which those entities operate (the functional currency).

The group and company financial statements are presented in South African rand, being PSG Konsult's functional and presentation currency.

5.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. The foreign exchange gains and losses on shareholder assets are included as part of net fair value gains and losses on financial instruments and within net income attributable to investment contract holders and third-party liabilities for the foreign exchange gains and losses arising from policyholder investment contracts and consolidated collective investment schemes.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities carried at fair value through profit or loss are recognised in profit or loss as part of foreign exchange gains or losses and translation differences on non-monetary assets carried at fair value through other comprehensive income are recognised in other comprehensive income.

5.3 Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).
- Assets and liabilities for each statement of financial position presented are translated at closing exchange rate at the date of that statement of financial position.
- All resulting exchange differences are recognised in other comprehensive income and as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as the foreign entity's assets and liabilities and are translated at the closing rate. Exchange differences are recognised in the statement of comprehensive income.

Group entities with functional currencies other than the presentation currency, mainly have the following functional currencies:

	2023		2022	
	Average	Closing	Average	Closing
British pound	**20.25**	**22.21**	20.38	20.62
United States dollar	**16.71**	**18.40**	14.86	15.40

Exchanges rates used are based on interbank bid rates.

6. Property and equipment

All property and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

6. Property and equipment (continued)

Depreciation is calculated on the straight-line method at rates considered appropriate to reduce book values to estimated residual values over the useful lives of the assets, as follows:

Leasehold improvements	over the remaining lease period
Motor vehicles	4 to 5 years
Office equipment	5 to 10 years
Computer equipment	3 to 7 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. If the estimates of the remaining useful lives or residual values change, the remaining carrying values are depreciated prospectively, taking into account the revised estimates.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

7. Intangible assets

7.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary or joint venture undertaking at the date of acquisition. Goodwill is reported in the statement of financial position as an intangible asset. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to CGUs for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The groups of CGUs are identified at the lowest level at which goodwill is monitored for internal management purposes.

7.2 Trademarks and licences

Separately acquired trademarks and licences are shown at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method over their estimated useful lives, which varies from 5 to 20 years and is reassessed annually.

7.3 Customer relationships

Customer relationships consist of acquired adviser books of business, as well as acquired income stream rights on existing adviser books of business. These customer relationships are shown at cost less accumulated amortisation and impairment. Customer relationships acquired in a business combination are recognised at fair value at the acquisition date. Amortisation is calculated using the straight-line method over their estimated useful lives ranging between 5 and 20 years, which reflects the expected life of the customer relationships acquired.

7.4 Deferred acquisition costs (DAC)

Commissions, fees and other incremental costs that vary with and are related to securing new investment contracts and renewing existing investment contracts are capitalised as a DAC intangible asset, since these costs relate to future economic benefits being generated beyond one year. Subsequent changes to the DAC payable are reversed/capitalised against the relevant intangible asset. The DAC intangible asset is subsequently amortised over the expected life of the investment contracts. All other costs are recognised as expenses when incurred.

An impairment test is conducted annually at reporting date on the DAC intangible asset balance to ensure that the amount will be recovered from future revenue generated by the applicable remaining investment management contracts.

7.5 Other intangible assets

Other intangible assets consist mainly of intellectual property rights and computer software.

Intellectual property rights are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the cost of these rights over their estimated useful lives of 20 years.

Annexure A – detailed accounting policies

for the year ended 28 February 2023

7. Intangible assets (continued)

7.5 Other intangible assets (continued)

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised using the straight-line method over their estimated useful lives ranging between 2 and 12 years. The carrying amount is reviewed for impairment when an impairment indicator is identified.

8. Impairment of non-financial assets

Goodwill and intangible assets that have indefinite useful lives and are not subject to amortisation, or that are not yet available for use, are tested annually for impairment. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered. The recoverable amount, being the higher of fair value less costs to sell and value in use, is determined for any asset for which an indication of impairment is identified. If the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is reduced to its recoverable amount.

For the purpose of assessing impairment, assets are grouped together into CGUs which represent the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets. An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount.

Impairment losses are recognised as an expense in profit or loss in the period in which they are identified. An impairment loss in respect of goodwill is not reversed. In respect of other assets, reversal of impairment losses is recognised in profit or loss in the period in which the reversal is identified, to the extent that the asset is not increased to a carrying value higher than it would have been had no impairment loss been recognised for the asset in prior years.

9. Financial instruments

Financial instruments recognised on the statement of financial position include financial assets, consisting of equity securities, debt securities, unit-linked investments, investment in investment contracts, loans and advances, derivative financial assets, receivables including insurance receivables, cash and cash equivalents, as well as financial liabilities, consisting of borrowings, derivative financial liabilities, investment contracts, third-party liabilities arising on consolidation of mutual funds and trade and other payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

10. Financial assets

10.1 Classification

Financial assets are classified based on the business model and nature of cash flows associated with the instrument.

Financial assets at amortised cost

A debt instrument is classified in this category if it meets both of the following criteria and is not designated as at fair value through profit or loss:

- the asset is held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows, on specified dates, that are solely payments of principal and interest on the principal amount outstanding.

10. Financial assets (continued)

10.1 Classification (continued)

Financial assets at fair value through other comprehensive income

The group and company have not currently elected to measure any equity instruments at fair value through other comprehensive income.

A debt instrument is classified in this category if it meets both of the following criteria and is not designated as at fair value through profit or loss:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise to cash flows, on specified dates, that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through profit or loss

Financial assets not measured at amortised cost or fair value through other comprehensive income as described above are mandatorily measured at fair value through profit or loss. The group also designates certain financial assets that would otherwise meet the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise. Where financial assets are not specified as being designated at fair value through profit or loss these are mandatorily measured at fair value through profit or loss.

10.2 Recognition and measurement of financial assets

Purchases and sales of financial assets are recognised on trade date – the date on which the group commits to purchase or sell the asset. Financial assets not carried at fair value through profit or loss are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Unrealised gains and losses recognised in the income statement are calculated as the difference between the fair value and carrying value of a financial instrument (after taking into account other income statement movements, such as interest and dividend income) which is still held at year-end. Realised gains and losses are recognised in the income statement when a financial instrument is sold and represents the value of the proceeds received or consideration paid for the financial instrument less the carrying value of the financial instrument (excluding previously recognised unrealised gains and losses). The group utilises the information provided from various product and investment houses to assist with the classification of the gains and losses.

Interest and dividend income arising on financial assets at fair value through profit or loss for shareholder assets is recognised and disclosed separately in the income statement. The interest and dividend income arising from the policyholder investment contracts and consolidated collective investment schemes is recognised within net income attributable to investment contract holders and third-party liabilities in the income statement.

When applicable, the group measures the fair value of an instrument using the quoted price in an active market for that instrument. The fair values of quoted investments are based on current stock exchange prices at the close of business on the statement of financial position date. If the market for a financial asset is not active, or if it is unquoted, the group establishes fair value by using valuation techniques. These include the use of recent arm's-length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis refined to reflect the issuer's specific circumstances, premium/discount to net asset value and PE techniques. The group's main valuation techniques incorporate all factors that market participants would consider and make maximum use of observable market data.

The existence of published price quotations in an active market is the best evidence of fair value. The phrase 'quoted in an active market' means that quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's-length basis.

Readily available means that the pricing information is currently accessible and regularly available means that transactions occur with sufficient frequency to provide pricing information on an ongoing basis.

10. Financial assets (continued)

10.2 Recognition and measurement of financial assets (continued)

It is not necessary for quoted prices to be obtained from regulated markets. Prices can be obtained from other sources, although the available information may vary. For example, some industry groups or pricing services publish price information about certain instruments, while little or no information may be available about prices of other instruments.

An entity is not generally required to perform an exhaustive search for price information, but should consider any information that is publicly available, or that can be obtained reasonably from brokers, industry groups, publications of regulatory agencies or similar sources, such as journals and websites. It should be noted that these prices may be indicative prices only. It should not be assumed that these prices reflect the price in an active market.

Sources from which prices can be obtained (to qualify as 'quoted') include:

- Regulated exchange (e.g. JSE, BESA, SAFEX)
- Company secretary, transfer secretary or website
- Brokers
- Daily newspapers and related sources (e.g. Business Day, Bloomberg)

Financial assets classified as at amortised cost are measured at amortised cost using the effective interest method, less any impairment, with income recognised on an effective yield base.

The group does not apply hedge accounting.

10.3 Impairment of financial assets

The group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost.

Expected credit losses are a probability-weighted estimate of credit losses and are measured as the present value of all cash short falls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the group expects to receive).

The impairment methodology applied depends on whether there has been a significant increase in credit risk. The group determines whether the credit risk on a financial instrument has increased significantly by comparing this risk of default occurring on the financial instrument as at the reporting date with the risk of default occurring on the financial instrument as at the date of initial recognition together with reasonable and supporting information that indicates a significant increase in credit risk since initial recognition.

If there is no indication that there has been a significant increase in a financial instrument's credit risk since initial recognition, the loss allowance is measured at an amount equal to the 12-month expected credit loss. However, if the credit risk on a financial instrument has increased significantly since initial recognition, the loss allowances are measured at an amount equal to lifetime expected credit losses. Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, whereas 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The expected credit loss is calculated as the unbiased, probability weighted amount which is determined by evaluating the range of reasonably possible outcomes, the time value of money and considering all reasonable and supportable information including that which is forward-looking.

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

An impairment gain or loss is recognised in profit or loss for the amount of expected credit losses (or reversals) that is required to adjust the loss allowance at the reporting date.

The gross carrying amount of a financial asset is written off and reduced when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

10.4 Derecognition of financial assets

Financial assets are derecognised when the right to receive cash flows from the financial asset has expired or has been transferred, and the group has transferred substantially all risks and rewards of ownership. The group also derecognises a financial asset when the group retains the contractual rights of the assets but assumes a corresponding liability to transfer these contractual rights to another party and thereby transfers substantially all the risks and benefits associated with the asset.

10. Financial assets (continued)

10.5 Investment in investment contracts

These are valued at the fair value of the underlying investments supporting the investment contract policy. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period.

11. Derivative financial instruments

Derivative financial instruments are recognised initially at fair value on the date on which a derivative contract is entered into. Subsequent to initial recognition, derivative financial instruments are measured at fair value through profit or loss. Fair values of OTC derivatives are obtained using valuation techniques, including discounted cash flow models and option pricing models.

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only observable market data.

12. Receivables

Receivables are amounts due for services performed in the ordinary course of business. Receivables are initially measured at fair value and subsequently recognised at amortised cost using the effective interest rate method, less provision for impairment. Under IFRS 9, the group applies the simplified approach to calculate the provision for impairment, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The movement in the amount of the provision is recognised in profit or loss. If collection is expected within one year or less, they are classified as current assets.

12.1 Insurance receivables

Insurance receivables are amounts due from clients for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Insurance receivables are recognised when due. Refer to accounting policy note 16(ix) for the group's insurance receivables impairment policy.

13. Contracts for difference (CFD)

The group enters into contracts for difference with clients whereby the group provides leveraged exposure to equities specified by the client. CFD exposure is limited to the JSE Top 100 shares and Satrix exchange-traded funds (ETFs). The client pays an initial margin of between 15% (for JSE Top 40 shares and Satrix ETFs) and 17.5% (for JSE Top 41 – 100 shares) of the value of the equities. Margin calls are made for the full value of any decrease in value of the equities on a daily basis. The margin accounts are included within receivables including insurance receivables and trade and other payables.

CFD positions with clients are funded with equal and opposite CFD positions with other financial institutions. External funding is only used on an intraday basis to purchase the underlying equity positions which are then delivered to the financial institution, at the end of each business day, for settlement of the intraday funding provided.

The group is contractually bound to pay out or recover any fair value adjustments from the parties entering into the CFD, based on the fair value movement of the specified listed equities invested in for the client.

14. Cash and cash equivalents (including money market funds)

Cash and cash equivalents consist of cash held at call with banks and other short-term highly liquid investments with maturities of three months or less. Investments in money market funds are classified as cash equivalents, since these funds are held to meet short-term cash requirements, are highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are included within borrowings in the statement of financial position.

Annexure A – detailed accounting policies

for the year ended 28 February 2023

15. Insurance and investment contracts – classification

The group issues contracts that transfer insurance risk, financial risk or both.

A distinction is made between investment contracts (which fall within the scope of the financial instruments standards and insurance contracts (where the FSV method continues to apply, subject to certain requirements specified in IFRS 4 – Insurance Contracts). A contract is classified as insurance where the group accepts significant insurance risk by agreeing with the policyholder to pay benefits if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary. Significant insurance risk exists where it is expected that, for the duration of the policy or part thereof, policy benefits payable on the occurrence of the insured event will exceed the amount payable on early termination before allowance for expense deductions at early termination. Once a contract has been classified as an insurance contract, the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during this period. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, credit rating, credit index or other variable provided, in the case of a non-financial variable, that the variable is not specific to a party to the contract. Insurance contracts may also transfer some financial risk.

Investment contracts are those contracts that transfer financial risk with no significant insurance risk. These contracts are measured at the fair value of the corresponding financial assets.

A subsidiary of the group, PSG Life Limited, is a linked insurance company and issues linked policies to policyholders (where the value of policy benefits is directly linked to the fair value of the supporting assets).

16. Insurance contracts

Policyholder contracts that transfer significant insurance risk are classified as insurance contracts.

Insurance contracts are classified into two categories, depending on the duration of or type of insurance risks, namely non-life and long-term insurance contracts.

Non-life insurance

Non-life insurance provides benefits under short-term policies, which include property, business interruption, transportation, motor, personal all risk, accident and health, professional indemnity, public liability, marine, employers' liability, group personal accident, natural disasters and miscellaneous. Non-life insurance contracts are further classified into the following categories:

- personal insurance, consisting of insurance provided to individuals and their personal property; and
- commercial insurance, providing cover on the assets and liabilities of business enterprises.

Recognition and measurement

i) *Gross written premium*

Gross premiums exclude VAT and other foreign indirect taxes. Premiums are accounted for as income when the risk related to the insurance policy incepts and are spread over the risk period of the contract by using an unearned premium provision. This also includes premiums received in terms of reinsurance agreements. All premiums are shown before deduction of commission payable to intermediaries.

ii) *Claims incurred*

Claims incurred consist of claims and claims handling expenses paid during the financial year and are charged to the income statement as incurred.

iii) *Provision for unearned premium*

Premiums are earned from the date the risk attaches, over the indemnity period, based on the pattern of the risk underwritten. Unearned premiums, which represent the proportion of premiums written in the current year, which relate to risks that have not expired by the end of the financial year, are calculated on a time proportionate basis for even risk contracts and other bases that best represent the unearned risk profile for uneven risk contracts. The group has predominantly even risks contracts.

iv) *Provision for unexpired risk*

Provision is made for underwriting losses that may arise from unexpired risks when it is anticipated that unearned premiums will be insufficient to cover future claims, as well as claims handling fees and related administrative costs. This liability adequacy test is performed annually to ensure the adequacy of non-life insurance liabilities.

16. Insurance contracts (continued)

Non-life insurance (continued)

Recognition and measurement *(continued)*

v) *Provision for claims*

Provision is made on a prudent basis for the estimated final cost of all claims that have not been settled by the reporting date, less amounts already paid. Claims and loss adjustment expenses are charged to income as incurred, based on the estimated liability for compensation owed to the beneficiaries (contract holders or third parties damaged by the contract holders) of the insurance contracts. They include direct and indirect claims settlement costs and assessment charges and arise from events that have occurred up to the end of the reporting period even if they have not yet been reported to the group. The group does not discount its claim provision for unpaid claims other than for disability claims. Liabilities for unpaid claims are estimated using the input of assessments for individual cases reported to the group and statistical analyses for the claims incurred but not reported, and to estimate the expected ultimate cost of more complex claims that may be affected by external factors (such as court decisions). The group's own assessors or external assessors individually assess claims.

vi) *Provision for claims incurred but not reported (IBNR)*

Provision is also made for claims arising from insured events that occurred before the close of the reporting period, but which had not been reported to the group by that date. The provision is based on a best estimate liability plus an adjustment for risk (where sufficient historical data is available). Refer to the other accounting estimates and judgements in applying accounting policies section of the detailed accounting policies for further detail.

vii) *Deferred acquisition costs*

Commissions that vary with and are related to securing new contracts and renewing existing contracts are deferred over the period in which the related premiums are earned, and recognised as a current asset. All other costs are recognised as expenses when incurred.

viii) *Reinsurance contracts held*

Contracts entered into by the group with reinsurers under which the group is compensated for losses on one or more contracts issued by the group and that meet the classification requirements for insurance contracts, are classified as reinsurance contracts held. Contracts that do not meet these classification requirements are classified as financial assets. Income received from insurance contracts entered into by the group under which the contract holder is another insurer (inwards reinsurance) is included in premium income.

The benefits to which the group is entitled under its reinsurance contracts held are classified as reinsurance assets. These assets consist of short-term balances due from reinsurers (classified within receivables including insurance receivables) on settled claims, as well as estimates (classified as reinsurance assets) that are calculated based on the gross outstanding claims and IBNR provisions. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when incurred.

The reinsurer's share of unearned premiums represents the portion of the current year's outward reinsurance premiums that relate to the risk periods covered by the related reinsurance contracts extending into the following year. The reinsurer's share of unearned premium is calculated using the 365th method.

Income from reinsurance contracts ceded, that varies with and is related to obtaining new reinsurance contracts and renewing existing reinsurance contracts, is deferred over the period of the related reinsurance contract and is recognised as a current liability.

The group assesses its reinsurance assets for impairment on a quarterly basis. If there is objective evidence that the reinsurance asset is impaired, the group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in profit or loss.

16. Insurance contracts (continued)

Non-life insurance (continued)

Recognition and measurement *(continued)*

ix) *Receivables and payables related to insurance contracts*

Receivables and payables are recognised when due. These include amounts due to and from agents, intermediaries and insurance contract holders, and are included under receivables including insurance receivables and trade and other payables.

If there is objective evidence that the insurance receivable is impaired, the group reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in profit or loss. A provision for impairment is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

x) *Salvage reimbursements*

Some insurance contracts permit the group to sell (usually damaged) property acquired in settling a claim (i.e. salvage). The group may also have the right to pursue third parties for payment of some or all costs (i.e. subrogation). Estimates of salvage recoveries are included as an allowance in the measurement of the insurance liability for claims. The allowance is the amount that can reasonably be recovered from the disposal of the property.

Subrogation reimbursements are also considered as an allowance in determining the insurance liability for claims and are recognised in other assets when the liability is settled. The allowance is the assessment of the amount that can be recovered from the action against the liable third party.

Long-term insurance

These contracts are valued in terms of the FSV basis contained in SAP 104 issued by the Actuarial Society of South Africa and are reflected as insurance contracts' liabilities.

Liabilities are valued as the present value of future cash flows due to benefit payments and administration expenses that are directly related to the contract discounted at the rate of return at year-end on the assets backing the policyholder funds. Future cash flows are projected on a best estimate basis with an allowance for compulsory margins for adverse deviations as prescribed by SAP 104. Best estimate assumptions are required for future investment returns, expenses, persistency, mortality and other factors that may impact the financial position of the group. As per SAP 104, contractual premium increases are allowed for, but future voluntary premium increases are ignored.

In addition, certain discretionary margins are created to allow profits to emerge over the lifetime of the policy to reflect the small number of policies and associated volatility. Where the number of policies is small, the prescribed margins alone do not result in an acceptable probability of the total reserve being sufficient to meet all liabilities.

The financial soundness methodology includes allowance for liability adequacy testing to ensure that the carrying amount of technical provisions is sufficient in view of estimated future cash flows. Where a shortfall is identified, an additional provision is made.

The group reflects premium income relating to insurance business on a gross basis together with the gross amount of any reinsurance premiums. All premiums are accounted for when they become due and payable.

The group shows the gross amount of policyholder benefit payments in respect of insurance contracts together with the gross reinsurance recoveries and accounts for such transactions when claims are intimated.

Claims on long-term insurance contracts, which include death, disability, maturity, surrender and annuity payments, are charged to income when notified of a claim based on the estimated liability for compensation owed to policyholders. Outstanding claims are recognised in insurance and other payables. Reinsurance recoveries are accounted for in the same period as the related claim.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

17. Financial liabilities

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity.

Financial liabilities include borrowings, derivative financial liabilities, investment contracts, third-party liabilities arising on consolidation of mutual funds and trade and other payables. The group issues investments contracts without fixed terms (unit-linked) and with fixed and guaranteed terms (fixed-interest rate).

Financial liabilities are initially recognised at fair value less transaction costs that are directly attributable to the raising of the funds, for all financial liabilities carried at amortised cost. All financial liabilities measured at fair value through profit or loss are initially recognised at fair value. The best evidence of the fair value at initial recognition is the transaction price (i.e. the fair value of the consideration received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets.

Financial liabilities at fair value through profit or loss are subsequently measured at fair value, with any resultant gains and losses recognised in the income statement. The net gain or loss recognised in the income statement incorporates any measurement gains or losses and interest expense on the financial liability. These financial liabilities are classified as current liabilities if they are either held for trading or expected to be settled within 12 months of the reporting date.

Third-party financial liabilities on consolidation of mutual funds are effectively demand deposits of external investors' interests in consolidated mutual funds and are consequently measured at fair value, which is the quoted unit values as derived by the fund administrator with reference to the rules of each particular fund. Fair value gains or losses are recognised in profit or loss.

Financial liabilities, or a portion thereof, are derecognised when the obligation specified in the contract is discharged, cancelled or expired. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and settlement amounts paid are included in the income statement.

Financial liabilities are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

The group uses its own credit risk spreads in determining the current value for its derivative liabilities and all other liabilities for which it has elected the fair value option. When the group's credit spreads widen, the group recognises a gain on these liabilities because the value of the liabilities has decreased. When the group's credit spreads narrow, the group recognises a loss on these liabilities because the value of the liabilities has increased.

17.1 Investment contracts

The fair value of a unit-linked financial liability is determined using the current unit price reflecting the fair values of the financial assets contained within the group's unitised investment funds linked to the financial liability, multiplied by the number of units attributed to the policyholder at a reporting date. No initial profit is recognised immediately as any profit on initial recognition is amortised in line with cash flow projections over the life of the contract.

For investment contracts with fixed and guaranteed terms, the amortised cost basis is used. In this case, the liability is initially measured at its fair value less transaction costs that are incremental and directly attributable to the acquisition or issue of the contract.

Subsequent measurement of investment contracts at amortised cost uses the effective interest method. This method requires the determination of an interest rate (the effective interest rate) that exactly discounts to the net carrying amount of the financial liability, the estimated future cash payments or receipts through the expected life of the financial instrument.

All other investment contract liabilities are designated on initial recognition at fair value through profit or loss. This designation significantly reduces a measurement inconsistency that would otherwise arise if these financial liabilities were not measured at fair value, since the assets held to back the investment contract liabilities are also measured at fair value.

The liability under investment contracts is derecognised when the contract expires, is discharged or is cancelled by the policyholder. For a contract that can be cancelled by the policyholder, the fair value cannot be less than the surrender value.

17.2 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

17. Financial liabilities (continued)

17.3 Trade and other payables

Trade and other payables are recognised when the group has a present obligation arising from past events, the settlement of which is expected to result in an outflow of economic benefits from the group. Trade and other payables are recognised initially at fair value, net of transaction costs incurred. Trade and other payables are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period using the effective interest method. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Insurance payables are obligations to pay for services that have been acquired in the ordinary course of business and include amounts due from agents, intermediaries and insurance contract holders. Insurance payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

18. Deferred revenue liability (DRL)

Service fee income on investment management contracts is recognised on an accrual basis as and when the services are rendered. A DRL is recognised in respect of upfront fees, which are directly attributable to a contract that is charged for securing the investment management service contract. The DRL is then amortised to revenue when the services are provided, over the expected duration of the contract on a straight-line basis. The amount of the DRL that is amortised in the next financial year will be classified as current assets and the rest of the DRL will be classified as non-current assets. Refer to accounting policy note 26 for the group's revenue recognition policy.

19. Stated capital and treasury shares

Stated capital represented the par value of ordinary shares issued, being classified as equity. During the 2014 financial year, the ordinary shares were converted to no par value shares, resulting in share capital and share premium being transferred to stated share capital.

Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction from the proceeds, net of tax.

Treasury shares

The cost of treasury shares acquired are debited to the treasury share reserve, and upon disposal of such shares, the reserve is credited with the weighted average calculated cost attributable to the shares disposed of.

Where any group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold, reissued or otherwise disposed of, any consideration received is included in equity attributable to the company's equity holders, net of any directly attributable incremental transaction costs and the related income tax effects. Any net income in relation to treasury shares (both fair value movements and dividends) is eliminated from group profits for the year. The number of shares in the earnings per share calculation is reduced for treasury shares held during the period on a weighted average basis.

Share trust

Certain of the group's remuneration schemes are operated through the PSG Konsult Group Share Incentive Trust. The share trust is considered to be a SPE controlled by the group and is therefore consolidated.

The shares purchased by the share trust are considered to be treasury shares and are treated in accordance with the group's policy for treasury shares.

20. Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the group's subsidiaries and joint venture operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

20. Current and deferred income tax (continued)

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and joint ventures, except where the group controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

20.1 Dividend withholding tax (DWT)

DWT is levied on the shareholders (or beneficial owners) receiving the dividend. Shareholders are subject to DWT on dividends received, unless they are exempt in terms of the amended tax law. DWT is levied at 20% of the dividend received. The DWT is categorised as a withholding tax, as the tax is withheld and paid to tax authorities by the company paying the dividend or by a regulated intermediary and not the beneficial owner of the dividend. Where a non-exempt group company is a beneficial owner of the dividend, the DWT is recorded as an expense in the income statement when the dividend income is earned.

21. Trust and fiduciary activities

The group acts as a trustee or in other fiduciary capacities that result in the holding, placing or managing of assets for the account of and the risk of clients. As these are not the assets of the group, they are not reflected on the statement of financial position.

22. Employee benefits

22.1 Pension obligations

The group only has defined contribution plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

22.2 Other post-retirement benefits

The group offers no other post-retirement benefits.

22.3 Share-based compensation

The group grants share options to certain employees under various equity-settled share-based compensation schemes.

The share-based compensation scheme is treated on a PSG Konsult subsidiary level as a cash-settled share-based compensation scheme. The accounting treatment of the cash-settled share-based compensation scheme by the subsidiaries is reversed on consolidation and replaced with the equity-settled share-based compensation scheme.

The fair value of the employee services received in exchange for the grant of the share options is recognised as an expense in the income statement, with the corresponding increase in a share-based payment reserve in the statement of changes in equity and represents the fair value at grant date of the share options that will be delivered on vesting. The total amount to be expensed over the vesting period, which is five years, is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of share options that are expected to become exercisable. At each reporting date, the entity revises its estimates of the number of share options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, and a corresponding adjustment to equity.

On a group level, the deferred income tax and income tax charge relating to the expense are limited to the actual equity-settled share-based scheme expense, and the excess deferred income tax and income tax charge relating to the subsidiaries are recognised in equity. When the share options have vested, the relevant amount recognised in equity for the employee services, up to the vesting date, and the related deferred income tax and income tax are transferred from the share-based payment reserve to retained earnings through an equity transfer. On exercise of the equity-settled share-based payment, any proceeds received are credited to stated capital. The difference between the market value of the shares transferred to the option holder on exercise date and strike price paid by the option holder is recognised in equity as part of the share-based payment reserve. If the market value of the shares transferred to the option holder is greater than the strike price paid, it would result in a decrease in the share-based payment reserve; if the market value of the shares transferred to the option holder is less than the strike price paid, it would result in an increase in the share-based payment reserve.

22. Employee benefits (continued)

22.3 Share-based compensation (continued)

The fair value is determined by using the Black-Scholes valuation model for share options issued prior to 1 March 2019, and using a Modified Binomial Tree model for share options issued subsequent to this date. The assumptions used to determine the fair value are detailed in note 13 to the group financial statements.

If the group cancels or settles a grant of equity instruments during the vesting period, the group accounts for the cancellation or settlement of the grant and recognises immediately the amount that otherwise would have been recognised for services received over the remainder of the vesting period.

22.4 Annual leave

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated annual leave as a result of services rendered by employees up to the reporting date.

22.5 Profit sharing and bonus plans

The group recognises a liability and an expense for bonuses and profit sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The group recognises a provision where contractually obliged, or where there is a past practice that has created a constructive obligation.

22.6 Termination benefits

Termination benefits are employee benefits payable as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept voluntary redundancy in exchange for those benefits. The group recognises these termination benefits when the group is demonstrably committed either to terminating the employment of an employee or group of employees before the normal retirement date, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. The group is demonstrably committed to a termination when the group has a detailed formal plan (with specified minimum contents) for the termination and it is without realistic possibility of withdrawal. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. Where termination benefits fall due more than 12 months after the reporting period, they are discounted. In the case of an offer made to encourage voluntary redundancy, 12 months after the reporting period, they are discounted. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits is based on the number of employees expected to accept the offer. In the case of an offer made to encourage voluntary redundancy, benefits are immediately recognised as an expense.

23. Provisions, contingent liabilities and assets

23.1 Provisions

Provisions are recognised when:

- the group has a present legal or constructive obligation, which has uncertain timing or amount, as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

23.2 Contingent liabilities and assets

A contingent liability is either a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the group or a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. These contingent liabilities are not recognised in the statement of financial position, but disclosed in the notes to the financial statements.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. These contingent assets are not recognised in the statement of financial position, but are disclosed in the notes to the financial statements if the inflow of financial benefits is probable.

24. Leases

Under IFRS 16 leases are recognised as a lease liability and corresponding right-of-use asset at the date which the leased asset is available for use by the company.

The group leases various corporate and adviser offices, the terms and conditions of which are negotiated on an individual basis. Each lease generally imposes a restriction that the property can only be used by the group unless permission is given by the lessor to sublet, and that the buildings must be returned to their original condition at the end of the lease.

24. Leases (continued)

Extension and termination options are included in a number of leases across the group. These terms are used to maximise operational flexibility in terms of managing contracts. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option.

Lease liability

The lease liability is initially measured at the present value of the following lease payments:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable by the company under residual value guarantees;
- the exercise price of purchase options, if the company is reasonably certain to exercise the option;
- lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

Lease agreements may contain both lease and non-lease components. The group elected not to separate lease and non-lease components, for leases of buildings for which the group is a lessee, and instead accounts for these as a single lease component.

The lease payments are discounted using the interest rate implicit in the lease. If this rate cannot be readily determined, which is the case for leases in the group, the lessee's incremental borrowing rate is used. The incremental borrowing rate is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the group:

- uses recent third-party financing received by the companies within the group as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received; and
- makes adjustments specific to the lease, e.g. term, credit standing, economic environment and security.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

Right-of-use assets

Right-of-use assets are measured at cost comprising the following:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the company incurs an obligation to do so; and
- less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

The depreciation charge for each year is recognised in profit or loss.

Deferred income tax

The deferred income tax on leases has been accounted for by considering the lease liability and right-of-use assets separately. This gives rise to temporary differences on initial recognition on which deferred income tax has been recognised.

25. Dividend distributions

Dividend distributions to the company's shareholders are recognised as a liability in the period in which the dividends are approved by the company's board of directors.

Annexure A – detailed accounting policies

for the year ended 28 February 2023

26. Revenue from contracts with customers

Revenue comprises the fair value of the consideration received or receivable for services rendered in the ordinary course of the group's activities. The group's activities include financial advice, stockbroking, fund management, financing and the issue of short-term and long-term insurance contracts.

Revenue is shown net of value-added tax, returns, rebates, discounts and after eliminating sales within the group.

Revenue type	Description	Recognition and measurement
Commission, policy administration and other fees	Revenue arising from advisory and portfolio management activities (including commission, management fees, performance fees and administration fees)	***Commission:*** Commission is recognised as services are rendered. In terms of IFRS 15, these commissions are recognised either at a point in time or over time, depending on when the performance obligations are satisfied. This is predominantly earned by the group through its network of financial advisers that provide financial advisory services (which typically includes, but is not limited to, financial planning, investment advice and portfolio management) to clients on an ongoing basis. This commission is predominantly based on the value of assets managed on behalf of clients and the fee rate stipulated in the client agreement. ***Management fees:*** Management fees on assets under management are recognised over the period for which the services are rendered, in accordance with the substance of the relevant agreements. All management fees are recognised over time based on the assets under management. ***Performance fees:*** Performance fees are earned, over and above management fees, on superior fund performance which exceeds specific agreed targets (typically market-related benchmarks) and are recognised when the performance obligation has been satisfied. Performance fees are recognised over time based on the assets under management. Performance fees include variable consideration and therefore revenue is recognised only to the extent that it is highly probable that no significant revenue reversal will occur.

26. Revenue from contracts with customers (continued)

Revenue type	Description	Recognition and measurement
Commission, policy administration and other fees (continued)	Revenue arising from advisory and portfolio management activities (including commission, management fees, performance fees and administration fees) (continued)	***Administration fees:*** Administration fees are earned for the continuous administration of policyholder investment contracts and short-term insurance policies on behalf of clients in accordance with the terms and the substance of the relevant agreements as follows: • Administration fees earned on policyholder investment contracts (which relates to the group's linked life investment business) are based on the assets administered on behalf of clients. • Administration fees earned on short-term insurance policies are based on the premium value of insurance policies administered on behalf of clients. Administration fees are determined using the values indicated above and the fee rate stipulated in the client agreement. Administration fees are earned over time with the exception of upfront fees earned on single premium investment contracts in certain instances. The consideration received for these policies is deferred as a liability and recognised over the life of the contract on a straight-line basis.
Dealing and structuring	Revenue arising from stockbroking activities (including brokerage, custodian fees, settlement fees, income from dealing in listed securities)	Revenue relating to stockbroking activities is recognised as services are rendered, by reference to the completion of the specific transaction. In terms of IFRS 15, this revenue is recognised either at a point in time or over time, depending on when the performance obligations are satisfied. The fee income earned from providing stockbroking services includes brokerage, custodian fees and settlement fees. The brokerage and settlement fees are recognised at a point in time as these fees are earned from assisting clients with specific transactions on their portfolios. The remainder of the fees are recognised over time with reference to the contract terms.

26. Revenue from contracts with customers (continued)

Revenue is recognised either when the performance obligation has been satisfied ('point in time') or when control of the goods or service is transferred to the customer ('over time'). This requires an assessment of the group and company's performance obligations and of when control is transferred to the customer. Where revenue is recognised over time, this is in general due to the group and company performing and the customer simultaneously receiving and consuming the benefits over the life of the contract as services are rendered on a continuous basis.

For revenue recognised over time, and provided the group meets the specific requirements, the group accounts for each service type contained in agreements with clients as a single performance obligation in accordance with IFRS 15.22(b), because it is providing a series of distinct services that are substantially the same and have the same pattern of transfer (the services transfer to the customer over time and use the same method to measure progress – that is, a time-based measure of progress as an input method). Where the group enters into agreements with clients to provide multiple services, the fee is separately disclosed in the agreement for each service and revenue is recognised using these standalone prices.

For each performance obligation over time, the group (as an advice-focused business) and company apply a time-based revenue recognition method that faithfully depicts the group and company's performance in transferring control of the service to the customer. Due to the nature of the group's business, with services being provided to clients on an ongoing basis, which includes being available to provide financial advisory and administrative services to clients at all times, the majority of its revenue from contracts with customers is considered to be recognised over time. If performance obligations in a contract do not meet the over time criteria, the group recognises revenue at a point in time.

Revenue is measured based on the consideration specified in contracts with customers, excluding amounts collected on behalf of third parties and including an assessment of any variable consideration dependent on the achievement of agreed KPIs. Such amounts are only included based on the expected value or most likely outcome method, and only to the extent that it is highly probable that no significant revenue reversal will occur. In assessing whether a significant reversal will occur, the group considers both the likelihood and the magnitude of the potential revenue reversal.

27. Investment income

Interest income

For financial instruments measured at amortised cost, interest income is recognised using the effective interest method and disclosed as interest income on amortised cost financial instruments in the income statement for shareholder assets.

Interest income on financial instruments measured at fair value through profit or loss for shareholder assets is recognised within interest income on fair value through profit or loss financial instruments.

Interest income arising from the policyholder investment contracts and consolidated collective investment schemes is recognised within net income attributable to investment contract holders and third-party liabilities in the income statement.

Dividend income

Dividend income is recognised when the right to receive payment is established. Dividend income is separately disclosed in the income statement for shareholder assets.

Dividend income arising from the policyholder investment contracts and consolidated collective investment schemes is recognised within net income attributable to investment contract holders and third-party liabilities in the income statement.

28. Managed funds activities

Certain companies within the group operate unit trusts and hold and invest funds on behalf of clients. Assets and liabilities representing such activities are not reflected on the statement of financial position, as these relate directly to clients. The values of these items are disclosed in the notes. Income from these activities is brought to account over the period to which the service relates.

29. Other accounting estimates and judgements in applying accounting policies

The group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

29.1 Fair value of derivatives and other unlisted financial instruments

The fair value of financial instruments that are trading on recognised OTC platforms is based on the closing bid price and classified as quoted instruments. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques as disclosed in the policy relating to financial assets. Please refer to accounting policy regarding derivative financial instruments for further detail regarding fair value valuation techniques. The assumptions used in these valuation techniques are described as part of the fair value hierarchy analysis included in note 36.

29.2 Investment contracts

The group issues a significant number of investment contracts that are designated as at fair value through profit or loss. These financial instruments are not quoted in active markets, and their fair values are determined by using valuation techniques. Such techniques (for example, valuation models) are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are validated before they are used and calibrated to ensure that outputs reflect actual experience and comparable market prices. The investment contract liabilities held at fair value are fully matched with the underlying assets. As such, the fair value of the investment contract liabilities is determined with reference to the fair value of the underlying asset. The carrying amount of the investment contract liabilities is R40.2 billion (2022: R36.0 billion).

29.3 Non-life insurance liabilities

The purpose of insurance is to enable policyholders to protect themselves against uncertain future events. Insurance companies accept the transfer of uncertainty from policyholders and seek to add value through the aggregation and management of these risks. The uncertainty inherent in insurance is inevitably reflected in the financial statements of the insurance company, principally in respect of the insurance liabilities of the company.

Process to determine significant assumptions

Insurance risks are unpredictable and the group recognises that it is not always possible to forecast, with absolute precision, future claims payable under existing insurance contracts. Over time, the group has developed a methodology that is aimed at establishing insurance provisions that have an above-average likelihood of being adequate to settle all its insurance obligations.

i) *Unearned premiums*

Unearned premiums represent the amount of income set aside by the group to cover the cost of claims that may arise during the unexpired period of risk of insurance policies in force at the reporting date.

The group raises provisions for unearned premiums on a basis that reflects the underlying risk profile of its insurance contracts. An unearned premium provision is created at the commencement of each insurance contract and is released as the risk covered by the contract expires. The group's insurance contracts have an even risk profile. Therefore, the unearned premium provision is released evenly over the period of insurance using a time proportion basis.

The provisions for unearned premiums are first determined on a gross level and thereafter the reinsurance impact is recognised. Deferred acquisition costs and reinsurance commission revenue are recognised on a basis that is consistent with the related provisions for unearned premiums.

Annexure A – detailed accounting policies

for the year ended 28 February 2023

29. Other accounting estimates and judgements in applying accounting policies (continued)

29.3 Non-life insurance liabilities (continued)

Process to determine significant assumptions *(continued)*

ii) Unexpired risk provision

If the expected value of claims and expenses attributable to the unexpired periods of policies in force at the statement of financial position date exceeds the unearned premiums provision in relation to those policies, after deduction of any deferred commission expenses, management assesses the need for an unexpired risk provision (estimated future underwriting losses relating to unexpired risks).

The need for an unexpired risk provision is assessed on the basis of information available at the reporting date. Claims events occurring after the statement of financial position date in relation to the unexpired period of policies in force at that time are not taken into account in assessing the need for an unexpired risk provision.

Management will base the assessment on the expected outcome of those contracts, including the available evidence of claims experience on similar contracts in the past year, as adjusted for known differences, events not expected to recur, and the normal level of seasonal claims.

iii) Outstanding claims

Outstanding claims represent the company's estimate of the cost of settlement of claims that have occurred and were reported by the reporting date, but that have not yet been finally settled.

Claims provisions are determined based on previous claims experience, knowledge of events, the terms and conditions of the relevant policies and the interpretation of circumstances. Each notified claim is assessed on a separate case-by-case basis with due regard for the specific circumstances, information available from the insured and/or loss adjuster and past experience with similar cases and historical claims payment trends. The approach also includes the consideration of the development of loss payment trends, the levels of unpaid claims, legislative changes, judicial decisions and economic conditions. The group employs people experienced in claims handling and rigorously applies standardised policies and procedures to claims assessment.

The ultimate cost of reported claims may vary as a result of future developments or better information becoming available about the current circumstances. Therefore, case estimates are reviewed regularly and updated when new information becomes available.

The provision for outstanding claims is initially estimated at a gross level. A separate calculation is carried out to estimate reinsurance recoveries. The calculation of reinsurance recoveries considers the type of risk underwritten, the year in which the loss claim occurred and under which reinsurance programme the recovery will be made, the size of the claim and whether the claim was an isolated incident or formed part of a catastrophe reinsurance claim.

iv) Claims incurred but not reported

Provisions need to be held for the eventual outcome of open claims that have occurred but have not been reported to the insurer by the reporting date.

The company utilises its own actuarial models to determine the appropriate amount of provision to hold, taking into account the nature, scale and complexity of the business. Each class of business is placed into homogeneous groups and modelled separately to determine the best estimate liability (probability-weighted mean) to be held, based on historic data and expert judgement. Where necessary, business of similar nature with insufficient claims detail is accounted for by extrapolating to the entire population in proportion to gross premium. The basic technique involves analysing the historical delay between loss events and the ultimate finalisation of these events to determine estimated development factors based on this historical pattern. The selected development factors are applied to cumulative internal claims data for each accident quarter that is not yet fully developed to produce an estimated ultimate claims cost per accident quarter.

The provision is modelled on a gross basis with a related reinsurance asset recognised based on a proportion of reinsurance purchased for each portfolio and business line. Prudence is maintained on the net provision by including a separate risk adjustment. To obtain this adjustment, a stochastic chain-ladder model is utilised to perform numerous simulations and, in doing so, obtain a distribution of the ultimate claims cost. The risk adjustment is determined as being the additional funds required so that the IBNR provision will be sufficient at the 75th to 80th percentile of the ultimate cost distribution.

Where data is deemed not to be sufficient and the business is different in nature to the modelled groups, the company makes use of the minimum prescribed requirements provided by the applicable regulatory body.

29.4 Money market funds

Cash and cash equivalents disclosed on the statement of financial position include investments in money market funds, being short-term, highly liquid investments with maturities of three months or less. Money market funds are classified as cash equivalents, since these funds are held to meet short-term cash requirements, are highly liquid investments, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The underlying instruments in the money market funds are mainly (> 85%) issued credit papers and call accounts of four of South Africa's largest banks, all of which had a Moody's short-term national rating of P1(ZA) on 28 February 2023 (28 February 2022: P1(ZA)) with the remainder in government treasury bills. The classification of money market funds as cash equivalents is only judgemental for purposes of disclosure and judgement applied could not have any impact on disclosed carrying value of assets or liabilities.

Annexure B – Interests in subsidiaries

for the year ended 28 February 2023

Investment in subsidiaries

			Effective interest held directly or indirectly[1]		Issued stated/share capital		Cost of investment	
Subsidiary	**Country of incorporation**	**Nature of business**	**2023 %**	2022 %	**2023 R**	2022 R	**2023 R000**	2022 R000
PSG Wealth Holdings Proprietary Limited	**South Africa**	**Investment holding company**	**100**	100	**508 999 120**	508 999 120	**495 225**	495 225
PSG Securities Limited	South Africa	Stockbroking	**100**	100	**4 738**	4 738	**–**	–
PSG Scriptfin Proprietary Limited	South Africa	Securitised lending business	**100**	100	**200**	200	**–**	–
PSG Multi Management Proprietary Limited	South Africa	Multi-manager	**100**	100	**121**	121	**–**	–
PSG Life Limited	South Africa	Linked insurance company	**100**	100	**305 500**	305 500	**–**	–
PSG Invest Proprietary Limited	South Africa	LISP functionality	**100**	100	**20 500 100**	20 500 100	**–**	–
PSG Distribution Holdings Proprietary Limited	**South Africa**	**Investment holding company**	**100**	100	**816 486 372**	816 486 372	**599 775**	599 775
PSG Wealth Financial Planning Proprietary Limited	South Africa	Financial, investment planning, advice and stockbroking	**100**	100	**113**	113	**–**	–
PSG Trust Proprietary Limited	South Africa	Trust and fiduciary services	**100**	100	**111**	111	**–**	–
PSG Employee Benefits Limited	South Africa	Healthcare, brokerage and administration	**74**	74	**1 962**	1 962	**–**	–
PSG Namibia Proprietary Limited	Namibia	Investment management, insurance and investment brokers, financial planning and advice	**58**	58	**300 000**	300 000	**–**	–
PSG Insure Holdings Proprietary Limited	**South Africa**	**Investment holding company**	**100**	100	**103**	103	**230 604**	230 604
Western Group Holdings Limited	Namibia	Investment holding company with investment in two non-life insurance companies	**100**	100	**80 540 385**	80 540 385	**–**	–
Western National Insurance Company Limited (Namibia)	Namibia	Non-life insurance company focusing on commercial and agricultural markets	**100**	100	**146 600**	146 600	**–**	–
Western National Insurance Company Limited (South Africa)	South Africa	Non-life insurance company focusing on commercial and agricultural markets	**60**	60	**810**	810	**–**	–
Hi-Five Corporate Finance Proprietary Limited	Namibia	Debtor financing	**100**	100	**100**	100	**–**	–
Western Administration Services Proprietary Limited	South Africa	Group administration services	**100**	100	**200**	200	**–**	–
Western Engineering Risk Specialists Proprietary Limited	South Africa	Non-life underwriting business	**100**	100	**100**	100	**–**	–
Zenith For The Accomplished Proprietary Limited[2]	South Africa	Non-life underwriting business	**100**	–	**4 000**	–	**–**	–

[1] *Ownership interest equal voting rights.*

[2] *The company was acquired during the 2023 financial year.*

Annexure B – Interests in subsidiaries

for the year ended 28 February 2023

Investment in subsidiaries (continued)

			Effective interest held directly or indirectly[1]		Issued stated/share capital		Cost of investment	
Subsidiary	**Country of incorporation**	**Nature of business**	**2023 %**	2022 %	**2023 R**	2022 R	**2023 R000**	2022 R000
PSG Asset Management Holdings Proprietary Limited	**South Africa**	**Investment holding company**	**100**	100	**121**	121	**344 616**	344 616
PSG Asset Management Proprietary Limited	South Africa	Local management company	**100**	100	**2 797 121**	2 797 121	**–**	–
PSG Asset Management Group Services Proprietary Limited	South Africa	Provision of corporate, financial administrative and advisory services	**100**	100	**1 351**	1 351	**–**	–
PSG Collective Investments (RF) Limited	South Africa	Local unit trusts	**100**	100	**50 099**	50 099	**–**	–
PSG Management (Holdings) Limited	Malta	Investment holding company	**100**	100	**149 276 801**	149 276 801	**–**	–
PSG Fund Management (Malta) Limited	Malta	Offshore unit trusts	**100**	100	**13 738 493**	13 738 493	**–**	–
Other								
PSG Management Services Proprietary Limited	South Africa	Provision of corporate financial administrative and advisory services	**100**	100	**100**	100	**–**	–
PSG Konsult MS UK Limited	United Kingdom	Provision of corporate financial administrative and advisory services	**100**	100	**14**	14	**–**	–
PSG Konsult Treasury Limited	South Africa	Centralised treasury activities for group	**100**	100	**100**	100	**–**	–
Delerus Proprietary Limited	South Africa	Debtor financing	**100**	100	**100**	100	**–**	–
PSG Konsult Group Share Incentive Trust	South Africa	Share trust[2]	**–**	–	**–**	–	**1**	1
PSG Konsult (Mauritius) Limited	Mauritius	Investment holding company	**100**	100	**7 787 740**	7 787 740	**7 917**	7 917
							1 678 138	1 678 138

[1] *Ownership interest equal voting rights.*

[2] *PSG Konsult Group Share Incentive Trust consolidated in terms of requirement of IFRS 10 – Consolidated Financial Statements.*

All the subsidiaries of the group are included in the consolidation. The proportion of the voting rights in the subsidiaries held directly do not differ from the proportion of ordinary shares held.

The following dormant or immaterial subsidiaries form part of the group: PSG Nominees Proprietary Limited, PSG Invest Nominees Proprietary Limited, Erf 1070 Ballot Street Proprietary Limited (Namibia), Topexec Management Bureau Proprietary Limited, Allfinanz Board of Executors & Trust Company Proprietary Limited, PSG Asset Management Namibia Proprietary Limited, PSG Wealth Management Namibia Proprietary Limited, PSG Financial Planning Namibia Proprietary Limited, PSG Konsult MS MAU Limited, PSG Konsult Securities Proprietary Limited, PSG Konsult Verre-Noord Proprietary Limited, NFA Proprietary Limited, Utrade Nominees Proprietary Limited, and PSG Short-Term Insurance Brokers Proprietary Limited.

Annexure B – Interests in subsidiaries

for the year ended 28 February 2023

Consolidated collective investment schemes

At 28 February 2023 and 28 February 2022, the following significant collective investment schemes, managed by PSG Collective Investments (RF) Limited, were subsidiaries of the group:

Collective investment scheme	ASISA classification	Fund manager	Economic interest **2023 %**	2022 %	**2023 R000**	2022 R000
PSG Income Fund	South African – Interest Bearing – Short-term	PSG Asset Management Proprietary Limited	**52**	57	**1 042 018**	902 425
PSG Money Market Fund	South African – Interest Bearing – Money Market	PSG Asset Management Proprietary Limited	**55**	40	**1 121 124**	1 008 398
PSG Wealth Enhanced Interest Fund of Funds	South African – Interest Bearing – Short-term	PSG Multi Management Proprietary Limited	**33**	32	**1 818 061**	1 964 834
PSG Wealth Creator Fund of Funds	South African – Equity – General	PSG Multi Management Proprietary Limited	**37**	53	**7 188 493**	5 830 471
PSG Wealth Moderate Fund of Funds	South African – Multi Asset – High equity	PSG Multi Management Proprietary Limited	**31**	38	**10 013 639**	8 675 369
PSG Multi-Management Cautious Fund of Funds	South African – Multi Asset – Low Equity	PSG Multi Management Proprietary Limited	**98**	N/A	**63 382**	N/A
PSG Multi-Management Growth Fund of Funds	South African – Multi Asset – High Equity	PSG Multi Management Proprietary Limited	**97**	N/A	**72 135**	N/A
PSG Multi-Management Multi-Asset Income Fund of Funds	South African – Multi Asset – Income	PSG Multi Management Proprietary Limited	**100**	N/A	**55 696**	N/A

Further details of investments are available at the registered offices of the relevant group companies.

Subsidiaries with significant non-controlling interest (NCI)

The following tables summarise the information relating to the group's subsidiaries that have material non-controlling interest, before any intergroup eliminations:

	Western Group		Employee Benefits	
Non-controlling interest in subsidiaries	**2023 %**	2022 %	**2023 %**	2022 %
Ownership and voting rights	**40**	40	**40**	40

	Carrying value of NCI		Profit or loss attributable to NCI		Dividends paid to NCI	
	2023 R000	2022 R000	**2023 R000**	2022 R000	**2023 R000**	2022 R000
Western Group	**467 717**	399 679	**68 038**	76 658	**–**	–
Employee Benefits	**16 569**	14 330	**4 544**	2 816	**(3 848)**	(3 640)
Other[1]	**5 729**	6 790	**4 692**	6 144	**(4 210)**	(5 378)
Total	**490 015**	420 799	**77 274**	85 618	**(8 058)**	(9 018)

[1] *Includes information relating to PSG Namibia Proprietary Limited and PSG Konsult Insurance Solutions Proprietary Limited.*

	Western Group		Employee Benefits	
Summarised financial information	**2023 R000**	2022 R000	**2023 R000**	2022 R000
Statement of financial position				
Current assets	**724 980**	632 808	**66 326**	54 989
Non-current assets	**1 318 643**	1 163 879	**39 783**	33 799
Current liabilities	**(749 857)**	(695 357)	**(33 254)**	(21 646)
Non-current liabilities	**(26 139)**	(27 953)	**(9 024)**	(5 986)
Net assets	**1 267 627**	1 073 377	**63 831**	61 156
Statement of comprehensive income				
Revenue	**1 555 158**	1 411 885	**159 832**	148 645
Profit for the year	**194 741**	207 443	**17 475**	16 766
Total comprehensive income	**194 249**	207 443	**17 475**	16 766
Statement of cash flows				
Cash flows from operating activities	**214 220**	152 453	**35 258**	18 137
Cash flows from investing activities	**(129 047)**	(242 069)	**(2 789)**	(1 602)
Cash flows from financing activities	**(6 992)**	(940)	**(19 593)**	(18 488)
Net increase/(decrease) in cash and cash equivalents	**78 181**	(90 556)	**12 876**	(1 953)

There are also no significant restrictions on the subsidiaries' ability to transfer funds in the form of cash for the repayment of loans made to the subsidiaries or to pay dividends other than the 22 regulated subsidiaries. These regulated subsidiaries are licensed asset management, long-term and short-term insurance entities that are regulated and therefore subject to statutory capital requirements set by each jurisdiction's regulators. These require that the entities hold a prescribed minimum capital, and dividend distributions from these entities are only available from excess net assets over the required minimum capital.

Annexure C – Share analysis

for the year ended 28 February 2023

	Shareholders		Shares held	
	Number	%	Number	%
Range of shareholding				
1 – 50 000	17 852	94.6	54 338 559	4.2
50 001 – 100 000	343	1.8	23 619 939	1.9
100 001 – 500 000	395	2.1	89 051 577	6.9
500 001 – 1 000 000	100	0.5	68 715 496	5.4
Over 1 000 000	177	1.0	1 046 849 598	81.6
	18 867	100.0	1 282 575 169	100.0
Treasury shares	4		13 114 146	
	18 871		1 295 689 315	
Public and non-public shareholding				
Non-public				
Directors and management[1]	19	0.1	279 037 300	21.8
Public	18 848	99.9	1 003 537 869	78.2
	18 867	100.0	1 282 575 169	100.0
Individual shareholders holding 5% or more of shares in issue (net of treasury shares) at 28 February 2023				
JF Mouton Familietrust[2]			163 683 823	12.8
Public Investment Corporation			163 269 864	12.7
Coronation Asset Management			154 724 349	12.1
Allan Gray Asset Management			151 589 349	11.8
			633 267 385	49.4

[1] *Includes beneficial and non-beneficial interest.*

[2] *PJ Mouton has an indirect beneficial interest in the JF Mouton Familietrust.*

Annexure D – Glossary

for the year ended 28 February 2023

ACI	African, Coloured and Indian
ADP	Adviser development programme
AGM	Annual general meeting
AIFA	Absa Insurance and Financial Advisers Proprietary Limited
ALSI	All Share Index
AQRate	AQRate Proprietary Limited
ASISA	Association for Savings and Investment South Africa
BBBEE	Broad-based black economic empowerment
BESA	Bond Exchange of South Africa
CAGR	Compound annual growth rate
CEO	Chief executive officer
CFD	Contracts for difference
CFO	Chief financial officer
CGU	Cash-generating unit
CIO	Chief information officer
CIS	Collective investment scheme
CODM	Chief operating decision-maker
Companies Act	Companies Act, No. 71 of 2008, as amended
COO	Chief operating officer
COVID-19	Coronavirus Disease 2019
CRISA	Code for Responsible Investing in South Africa
CRO	Chief risk officer
CSI	Corporate social investment
CSRC	Customer service review committee
DAC	Deferred acquisition costs
DMTN	Domestic Medium Term Note
DRL	Deferred revenue liability
DWT	Dividend withholding tax
ESD Fund	ASISA Enterprise and Supplier Development Fund
ESG	Environmental, social and governance
ETF	Exchange traded fund
Exco	Executive committee
FSCA	Financial Sector Conduct Authority
FSV	Financial soundness valuation
FTSE	Financial Times Stock Exchange
GCR	Global Credit Rating Co.
GOG	Governance and Operational Standards for Insurance Groups
GOI	Governance and Operational Standards for Insurers
GDP	Gross domestic product
HEPS	Headline earnings per share
HR	Human resources
IBNR	Incurred but not reported
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IT	Information technology
JSE	Johannesburg Stock Exchange Limited
King IV	King IV Report on Corporate Governance™ for South Africa, 2016

Annexure D – Glossary

for the year ended 28 February 2023

KPI	Key performance indicator
LTIs	Long-term incentives
Manco	Management committee
MFSA	Malta Financial Services Authority
MOI	Memorandum of incorporation
NAMFISA	Namibia Financial Institutions Supervisory Authority
NCI	Non-controlling interest
NSX	Namibian Stock Exchange
ORSA	Own Risk and Solvency Assessment
OTC	Over-the-counter
PE ratio	Price-earnings ratio
POPIA	Protection of Personal Information Act, No. 4 of 2013
PSG Konsult Treasury	PSG Konsult Treasury Limited
PSG Life	PSG Life Limited
Remco	Remuneration committee
SAFEX	South African Futures Exchange
SAICA	South African Institute of Chartered Accountants
SA SME Fund	South African SME Fund
SAP	Standard of Actuarial Practice
SEM	Stock Exchange of Mauritius
SENS	Stock Exchange News Service
SMEs	Small and medium-sized enterprises
SPE	Special-purpose entity
STEM	Science, technology, engineering and mathematics
STI	Short-term variable incentive awards
TCF	Treating Customers Fairly
TCFD	Task Force on Climate-related Financial Disclosures
TRI	Total return index
UN PRI	United Nations Principles for Responsible Investment
VWAP	Volume-weighted average price
Western	Western Group Holdings Limited
Western RSA	Western National Insurance Company Proprietary Limited (RSA)

Corporate information

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

Country of incorporation
Republic of South Africa

Date of incorporation
14 July 1993

PSG Konsult head office and registered office
4th Floor, The Edge, 3 Howick Close
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Company secretary
PSG Management Services Proprietary Limited
(Registration number 2000/009351/07)

Website address
www.psg.co.za

Auditor
Deloitte & Touche

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

Transaction adviser and Sponsor – JSE
PSG Capital Proprietary Limited

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

Transaction adviser and Sponsor – SEM
Perigeum Capital Ltd

Transfer secretary
Computershare Investor Services Proprietary Limited
(Registration number 2004/003647/07)
Rosebank Towers
15 Biermann Avenue
Rosebank
2196
(Private Bag X9000, Saxonwold, 2132)
Tel: 011 373 0000
Fax: 011 688 5200

Shareholder diary

Financial year-end	28 February
Financial half year	31 August
Financial reporting	
Annual general meeting	Thursday, 13 July 2023
Announcement of interim results	Wednesday, 11 October 2023
Ordinary dividends	
Final dividend	
• Declared	13 April 2023
• Paid	8 May 2023