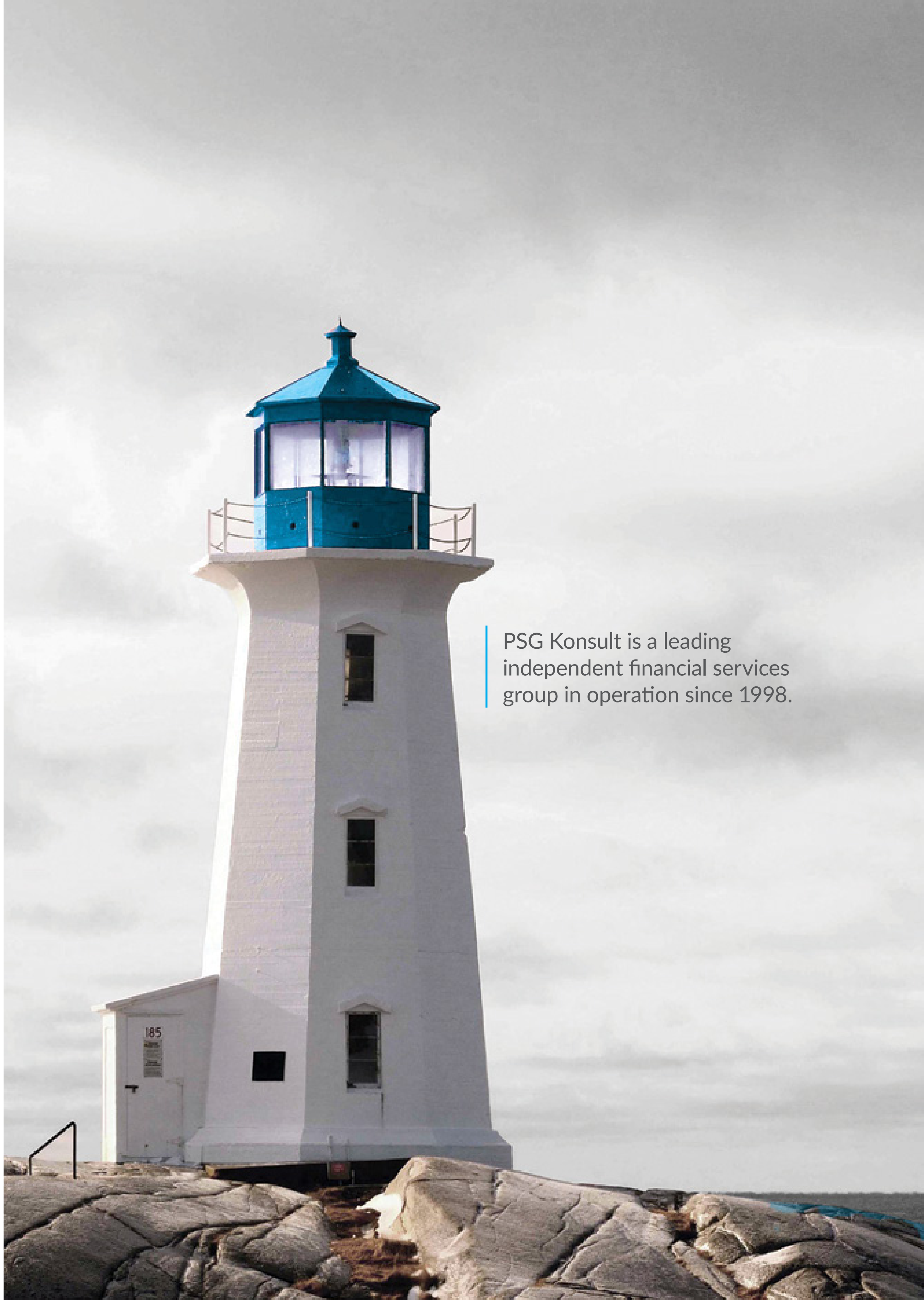
www.psg.co.za

Results for the year ended 28 February 2021

Who we are

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. Throughout, we place a strong emphasis on personal service and building lifelong relationships with our clients.

What we do	What we offer
PSG Wealth	
A comprehensive wealth management service for individuals, families and businesses.	• Financial planning • Investments • Unit trusts • Stockbroking • Estate and trust services • Multi-management • Healthcare • Employee benefits • Life insurance • Wealth platform • Managed share portfolios
PSG Asset Management	
Local unit trusts, global funds and segregated portfolios for individual and institutional investors.	• Investments • Unit trusts • Institutional portfolio management
PSG Insure	
Personal and commercial short-term insurance solutions.	• Personal short-term insurance • Commercial short-term insurance



PSG Konsult is a leading independent financial services group in operation since 1998.

Salient features

RECURRING HEADLINE EARNINGS PER SHARE

	2021	2020	2019
^ 10%	52.7 cents	48.1 cents	44.6 cents

GROSS WRITTEN PREMIUM[1]

	2021	2020	2019
^ 1%	R5.51 bn	R5.47 bn	R4.47 bn

NUMBER OF ADVISERS

	2021	2020	2019
v 3	932	935	932

TOTAL ASSETS UNDER MANAGEMENT

	2021	2020	2019
^ 17%	R268 bn	R230 bn	R222 bn

DIVIDEND PER SHARE

	2021	2020	2019
^ 9%	24.5 cents	22.5 cents	20.5 cents

TOTAL ASSETS UNDER ADMINISTRATION

	2021	2020	2019
v 1%	R392 bn	R397 bn	R422 bn

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

Contents

Our mission

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

Commentary

Financial results

PSG Konsult generated a 10% recurring headline earnings per share growth and 20% return on equity for 2021. We continue to manage and evaluate our performance against an unchanged set of metrics, notwithstanding changes in our operating environment. All key financial and operational metrics were positive, once again demonstrating the resilience of our franchise. We generated strong net client inflows and sustained investment in long-term growth initiatives, including those that enhance the experience of clients, systems and processes. Our primary focus of being an advice-led business remains.

We believe that growing our own talent will support PSG Konsult's long-term business goals. During the 2021 financial year, the group employed 65 newly qualified graduates (92% of whom are ACI candidates) as part of the core business operations and adviser force.

PSG Konsult's key financial performance indicators for the year ended 28 February 2021 are shown below:

	28 Feb 2021 R000	Change %	29 Feb 2020 R000
Core income	5 267 715	4	5 068 869
Recurring headline earnings	703 835	9	644 408
Non-recurring item^	(7 200)		–
Headline earnings	696 635	8	644 408
Non-headline items	1 055		2 549
Earnings attributable to ordinary shareholders	697 690	8	646 957
Divisional recurring headline earnings			
PSG Wealth	447 656	19	376 384
PSG Asset Management	104 940	(28)	146 420
PSG Insure	151 239	24	121 604
	703 835	9	644 408
Weighted average number of shares in issue (net of treasury shares) (millions)	1 334.6	–	1 340.9
Earnings per share (basic) (cents)			
– Recurring headline	52.7	10	48.1
– Headline	52.2	9	48.1
– Attributable	52.3	8	48.2
– Recurring headline (excluding intangible asset amortisation cost)	57.5	10	52.2
Dividend per share (cents)	24.5	9	22.5
– Interim dividend per share (cents)	8.0	7	7.5
– Final dividend per share (cents)	16.5	10	15.0
Return on equity (ROE) (%)	20.4		20.5

^ Non-recurring item relates to a R10.0 million (R7.2 million net of tax) donation to the South African Solidarity Fund in April 2020.

PSG Wealth

PSG Wealth achieved recurring headline earnings growth of 19%

The division performed well during a year characterised by uncertainty and volatile market conditions. The division's core income increased by 8% during the current year, consisting of an increase in management and other recurring fees, while transactional brokerage fees also increased due to increased trading activity.

Clients' assets managed by our Wealth advisers increased by 20% to R232.6 billion during the current year, which included R14.0 billion of positive net inflows. The division's formidable financial adviser network consisted of 563 wealth advisers as at 28 February 2021. During the year we appointed 45 new wealth advisers, while the assets managed by the smaller advisers that left the group during the year were transferred to other existing PSG advisers. The limited impact of these smaller advisers who left is evident in the positive net inflows achieved by the division.

PSG Wealth received the following awards during the current year:

- Top Wealth Manager of the Year: Large Institutions at the Intellidex Top Private Banks and Wealth Managers Awards during July 2020, for the second year in a row. The division delivered a strong showing across all categories, including winning the Top Relationship Manager category.
- 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 this year's Raging Bull Awards.
- Top Relationship Manager of the Year at the annual Intellidex Top Stockbrokers awards during September 2020.

The uncertainty and market volatility during the current year reinforced the necessity for financial advice that provides clients with greater peace of mind and limits emotion-driven investment decisions. Clients need expert guidance from advisers who have a holistic, long-term view. We continue to enhance our information technology systems and processes for both our advisers and clients. Our investment in digital technology over several years assisted our advisers and staff to successfully adapt to working remotely during the lockdown periods. All related IT system costs continue to be fully expensed.

We remain confident about the fundamentals and prospects of this division and believe that our commitment to long-term relationships with clients will continue to differentiate us in the markets in which we compete.

PSG Asset Management

PSG Asset Management's recurring headline earnings decreased by 28%

The results achieved by this division were adversely impacted by challenging market conditions during the year. Nevertheless, recent, shorter-term performance shows encouraging early signs of improvement, with several funds performing in the top quartile over a one-year period. Client assets under management decreased by 4% to R35.3 billion during the current year, due to a combination of market movements and net client outflows. Assets administered by the division increased by 19% to R142.9 billion, supported by R11.1 billion of multi-managed net inflows.

PSG Insure

PSG Insure achieved recurring headline earnings growth of 24%

The division achieved commendable results during the current year. This division continues to focus on profitable growth with an emphasis on commercial lines' type of business which requires adviser expertise. PSG Insure worked closely with insurers to provide relief to clients during the COVID-19 Level 5 lockdown period. Western National Insurance supported qualifying policyholders through premium relief measures and COVID-19-related business interruption relief payments. Pandemic business interruption claims are in the process of being assessed and have been adequately provided for. No significant catastrophe events occurred during the current year, with the lockdown periods having a positive impact mainly on motor loss ratios. When combined with our quality underwriting practices, Western National Insurance achieved a net underwriting margin of 15.3% compared to the 13.6% achieved in the prior year. The insurance advisers decreased by 2% to 369 during the current period, mainly due to smaller adviser rationalisation.

PSG Insure received the following awards during the current year:

- Santam National Broker of the Year for performance excellence in commercial lines, personal lines, specialist business and portfolio administration during July 2020.
- Top National Broker at the Old Mutual Insure Awards for the second year in a row.
- For the fourth year in a row, PSG Insure Meesterplan has taken top prize as Diamond Broker of the Year at the annual CIB Broker Awards.

Commentary

Strategy

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

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

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

Corporate activity

The group concluded portfolio management acquisition transactions with some of its advisers during the current year to consolidate and align certain client share portfolio research and operational management activities within the firm. The consideration was paid with the issue of PSG Konsult shares (5 million shares at an average of R7.35 per share) with the balance being paid in cash.

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

Capital management

PSG Konsult generates strong cash flows which gives us various options to optimise our capital structure and risk adjusted returns to shareholders. During the past financial year, the group repurchased and cancelled 20 992 115 shares at a cost of R166.8 million.

PSG Konsult remains strongly capitalised, with a capital cover ratio of 213% (2020: 191%) based on the latest insurance group return. This capital cover ratio substantially exceeds the required minimum of 100%. Our approach to investing shareholder assets, supporting regulatory capital requirements, remains prudent and ensures that the group has a strong balance sheet and excellent liquidity.

Shareholders were advised on 26 October 2020 that the rating agency Global Credit Rating Company (GCR) confirmed that the group's credit ratings remain unchanged. PSG Konsult's long-term South Africa national scale rating is A(ZA), while the short-term South Africa national scale rating is A1(ZA), with a stable outlook.

Regulatory landscape and risk management

PSG Konsult has 23 regulatory licences (17 in South Africa and 6 in foreign jurisdictions) and maintains good relationships with the regulators in the markets in which we operate.

Marketing initiatives

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

Information technology

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

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

Change in external auditor

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

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

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

Looking forward

We will monitor the local and global macroeconomic environment, and the associated impact on our clients and other stakeholders.

The group remains confident about the prospects for growth and will continue to prioritise organic growth.

Events after reporting date

No events material to the understanding of these results occurred between 28 February 2021 and the date of approval of the condensed consolidated financial statements.

Dividend

The board approved and declared a final gross dividend of 16.5 ZAR cents per share from income reserves for the year ended 28 February 2021 (2020: 15.0 ZAR cents per share) given the group's strong financial position and confidence in the group's prospects. The group's dividend pay-out ratio remains consistent with the dividend policy communicated at the time of listing.

The dividend is subject to a South African dividend withholding tax (DWT) rate of 20%, unless the shareholder is exempt from paying dividends tax or is entitled to a reduced rate in terms of the applicable double-tax agreement. Including DWT results in a net dividend of 13.2 ZAR cents (2020: 12.0 ZAR cents) per share. The number of issued ordinary shares is 1 340 930 485 at the date of this declaration. PSG Konsult's income tax reference number is 9550/644/07/5.

The salient dates of the dividend declaration are:

Declaration date	Thursday, 15 April 2021
Last day to trade cum dividend	Tuesday, 4 May 2021
Trading ex-dividend commences	Wednesday, 5 May 2021
Record date	Friday, 7 May 2021
Date of payment	Monday, 10 May 2021

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

Share certificates may not be dematerialised or rematerialised between Wednesday, 5 May 2021 and Friday, 7 May 2021, both days inclusive.

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

On behalf of the board

Willem Theron
Chairman

Francois Gouws
Chief executive officer

Tyger Valley
15 April 2021

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Independent auditor's review report on condensed consolidated financial statements

To the shareholders of PSG Konsult Limited

We have reviewed the condensed consolidated financial statements of PSG Konsult Limited, set out on pages 7 to 30 of the preliminary report, which comprise the condensed consolidated statement of financial position as at 28 February 2021 and the related condensed consolidated income statement and condensed consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and selected explanatory notes.

Directors' responsibility for the condensed consolidated financial statements

The directors are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, as set out in note 2 to the financial statements, 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements of PSG Konsult Limited for the year ended 28 February 2021 are not prepared, in all material respects, in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports, as set out in note 2 to the financial statements, and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: RA Botha
Registered Auditor

Cape Town
15 April 2021

Condensed consolidated statement of financial position

as at 28 February 2021

	Notes	Reviewed as at 28 Feb 21 R000	Audited as at 29 Feb 20 R000
ASSETS			
Intangible assets		1 253 820	1 144 803
Property and equipment		99 539	91 715
Right-of-use assets		210 699	248 220
Investment in joint ventures		1 046	1 105
Deferred income tax assets		83 555	81 315
Reinsurance assets		234 127	127 303
Loans and advances		166 911	138 012
Debt securities		3 847 637	6 212 400
Unit-linked investments		61 790 947	50 398 850
Equity securities		2 577 300	2 229 474
Investment in investment contracts		14 402	15 587
Derivative financial instruments		12 284	23 131
Deferred acquisition costs		5 621	6 622
Receivables including insurance receivables		2 220 757	2 094 305
Current income tax assets		20 989	13 093
Assets held for sale	8	64 143	–
Cash and cash equivalents (including money market funds)		1 603 624	1 073 653
Total assets		74 207 401	63 899 588
EQUITY			
Equity attributable to owners of the parent			
Stated capital		1 938 859	2 069 029
Treasury shares		(155 538)	(171 128)
Other reserves		(395 338)	(394 319)
Retained earnings		2 216 920	1 802 273
		3 604 903	3 305 855
Non-controlling interest		344 199	278 647
Total equity		3 949 102	3 584 502
LIABILITIES			
Deferred income tax liabilities		82 474	69 701
Lease liabilities		277 780	304 964
Insurance contracts		652 774	554 469
Derivative financial instruments		15 330	30 406
Investment contracts	7	30 719 905	26 694 209
Third-party liabilities arising on consolidation of mutual funds		35 985 490	30 293 931
Deferred reinsurance acquisition revenue		5 316	7 079
Trade and other payables		2 477 264	2 356 383
Current income tax liabilities		2 458	3 944
Liabilities held for sale	8	39 508	–
Total liabilities		70 258 299	60 315 086
Total equity and liabilities		74 207 401	63 899 588
Net asset value per share (cents)		272.3	247.0

Condensed consolidated income statement

for the year ended 28 February 2021

	Reviewed Year ended 28 Feb 21 R000	Restated[1] Audited Year ended 29 Feb 20 R000
Gross written premium	1 604 019	1 520 299
Less: Reinsurance written premium	(516 062)	(462 179)
Net written premium	1 087 957	1 058 120
Change in unearned premium		
– Gross	21 992	32 721
– Reinsurers' share	4 421	6 165
Net insurance premium revenue	1 114 370	1 097 006
Revenue from contracts with customers and other operating income	3 863 112	3 678 801
Interest income on amortised cost financial instruments	74 499	95 306
Interest income on fair value through profit or loss financial instruments	89 374	135 934
Dividend income	4 911	3 701
Net fair value gains and losses on financial instruments	43 092	(16 432)
Net income attributable to investment contract holders and third-party liabilities	60 784	62 694
Total income	5 250 142	5 057 010
Insurance claims and loss adjustment expenses	(1 011 841)	(943 290)
Insurance claims and loss adjustment expenses recovered from reinsurers	390 127	279 958
Net insurance benefits and claims	(621 714)	(663 332)
Commission paid	(1 562 543)	(1 509 684)
Depreciation and amortisation[2]	(167 060)	(144 067)
Employee benefit expenses	(1 074 673)	(1 010 402)
Marketing, administration and other expenses	(714 214)	(679 188)
Total expenses	(4 140 204)	(4 006 673)
Total loss from joint ventures	(59)	(420)
Profit before finance costs and taxation	1 109 879	1 049 917
Finance costs	(38 452)	(45 303)
Profit before taxation	1 071 427	1 004 614
Taxation	(302 122)	(297 053)
Profit for the year	769 305	707 561
Attributable to:		
Owners of the parent	697 690	646 957
Non-controlling interest	71 615	60 604
	769 305	707 561
Earnings per share (cents)		
Attributable (basic)	52.3	48.2
Attributable (diluted)	52.3	48.1
Headline (basic)	52.2	48.1
Headline (diluted)	52.2	47.9
Recurring headline (basic)	52.7	48.1
Recurring headline (diluted)	52.7	47.9

[1] The comparative figures have been restated, refer to note 13 for detail of the reclassification and restatement.
[2] Includes amortisation cost of R66.1 million (2020: R58.2 million).

Condensed consolidated statement of comprehensive income

for the year ended 28 February 2021

	Reviewed Year ended 28 Feb 21 R000	Audited Year ended 29 Feb 20 R000
Profit for the year	769 305	707 561
Other comprehensive income for the year, net of taxation	1 650	10 998
Items that are or may be reclassified to profit or loss:		
Currency translation adjustments	1 650	10 998
Total comprehensive income for the year	770 955	718 559
Attributable to:		
Owners of the parent	699 340	657 955
Non-controlling interest	71 615	60 604
	770 955	718 559

Earnings and headline earnings per share

for the year ended 28 February 2021

	Reviewed Year ended 28 Feb 21 R000	Audited Year ended 29 Feb 20 R000
Headline earnings	696 635	644 408
Recurring	703 835	644 408
Non-recurring	(7 200)	–
Non-headline items (net of non-controlling interest and related tax effect)		
Profit on disposal of intangible assets (including goodwill)	859	602
Profit on disposal of subsidiaries	–	1 558
Other	196	389
Profit attributable to ordinary shareholders	697 690	646 957
Earnings per share (cents)		
Attributable (basic)	52.3	48.2
Attributable (diluted)	52.3	48.1
Headline (basic)	52.2	48.1
Headline (diluted)	52.2	47.9
Recurring headline (basic)	52.7	48.1
Recurring headline (diluted)	52.7	47.9
Number of shares (millions)		
In issue (net of treasury shares)	1 324.0	1 338.4
Weighted average (net of treasury shares)	1 334.6	1 340.9

Condensed consolidated statement of changes in equity

for the year ended 28 February 2021

	Attributable to equity holders of the group					
	Stated capital R000	Treasury shares R000	Other reserves R000	Retained earnings R000	Non-controlling interest R000	Total R000
Balance at 1 March 2019 (Audited)	2 129 572	(230 723)	(360 826)	1 438 696	225 308	3 202 027
Comprehensive income						
Profit for the year	–	–	–	646 957	60 604	707 561
Other comprehensive income for the year	–	–	10 998	–	–	10 998
Total comprehensive income for the year	–	–	10 998	646 957	60 604	718 559
Transactions with owners	(60 543)	59 595	(44 491)	(283 380)	(7 265)	(336 084)
Issue of ordinary shares	24 145	–	–	–	–	24 145
Repurchase and cancellation of ordinary shares	(84 688)	–	–	–	–	(84 688)
Share-based payment costs	–	–	26 306	–	–	26 306
Transactions with non-controlling interest	–	–	–	–	(2 262)	(2 262)
Net movement in treasury shares	–	81 450	–	–	–	81 450
Current tax on equity-settled share-based payments	–	–	9 584	–		9 584
Deferred tax on equity-settled share-based payments	–	–	(31 054)	–	–	(31 054)
Loss on issue of shares in terms of share scheme	–	–	(71 834)	–	–	(71 834)
Release of share-based payment reserve to retained earnings on vested share options	–	–	22 507	(22 507)	–	–
Release of profits from treasury shares to retained earnings	–	(21 855)	–	21 855	–	–
Dividends paid	–	–	–	(282 728)	(5 003)	(287 731)
Balance at 29 February 2020 (Audited)	2 069 029	(171 128)	(394 319)	1 802 273	278 647	3 584 502
Comprehensive income						
Profit for the year	–	–	–	697 690	71 615	769 305
Other comprehensive income for the year	–	–	1 650	–	–	1 650
Total comprehensive income for the year	–	–	1 650	697 690	71 615	770 955
Transactions with owners	(130 170)	15 590	(2 669)	(283 043)	(6 063)	(406 355)
Issue of ordinary shares	36 628	–	–	–	–	36 628
Repurchase and cancellation of ordinary shares	(166 798)	–	–	–	–	(166 798)
Share-based payment costs	–	–	33 827	–	–	33 827
Net movement in treasury shares	–	11 980	–	–	–	11 980
Current tax on equity-settled share-based payments	–	–	(3 296)	–	–	(3 296)
Deferred tax on equity-settled share-based payments	–	–	2 583	–	–	2 583
Loss on issue of shares in terms of share scheme	–	–	(7 435)	–	–	(7 435)
Release of share-based payment reserve to retained earnings on vested/expired share options	–	–	(28 348)	28 348	–	–
Release of losses from treasury shares to retained earnings	–	3 610	–	(3 610)	–	–
Dividends paid	–	–	–	(307 781)	(6 063)	(313 844)
Balance at 28 February 2021 (Reviewed)	1 938 859	(155 538)	(395 338)	2 216 920	344 199	3 949 102

Condensed consolidated statement of cash flows

for the year ended 28 February 2021

	Notes	Reviewed Year ended 28 Feb 21 R000	Audited Year ended 29 Feb 20 R000
Cash flows from operating activities			
Cash utilised in operations		(204 586)	(1 256 928)
Interest received		1 336 796	1 591 597
Dividends received		726 985	646 607
Finance costs		(38 452)	(45 303)
Taxation paid		(302 427)	(259 480)
Operating cash flows before policyholder cash movement		1 518 316	676 493
Policyholder cash movement		1 304	22 485
Net cash flow from operating activities		1 519 620	698 978
Cash flows from investing activities			
Acquisition of intangible assets		(122 515)	(45 394)
Purchases of property and equipment		(48 332)	(47 849)
Disposal of subsidiaries (including collective investment schemes)	9.1	(261 638)	1 817
Proceeds from disposal of intangible assets		2 991	10 845
Deferred consideration paid for acquisition of businesses		(21 646)	(23 521)
Other		178	1 981
Net cash flow from investing activities		(450 962)	(102 121)
Cash flows from financing activities			
Dividends paid		(313 844)	(287 731)
Repayment of borrowings		–	(100 000)
Lease liabilities paid – principal portion		(51 076)	(36 910)
Shares issued	9.2	–	15 326
Shares repurchased and cancelled		(166 798)	(13 691)
Treasury shares sold by subsidiary		4 545	92 057
Purchase of treasury shares		–	(146 322)
Other		–	139
Net cash flow from financing activities		(527 173)	(477 132)
Net increase in cash and cash equivalents		541 485	119 725
Cash and cash equivalents at the beginning of the year		1 073 653	945 442
Exchange gains on cash and cash equivalents		2 210	8 486
Cash and cash equivalents at the end of the year[1]	9.4	1 617 348	1 073 653
[1] Includes the following:			
Clients' cash linked to investment contracts		31 874	30 570
Other client-related balances		(26 607)	(1 276 792)
Total client-related cash and cash equivalents		5 267	(1 246 222)

Notes to the statement of cash flows

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

Notes to the condensed consolidated financial statements

for the year ended 28 February 2021

1. Reporting entity

PSG Konsult Limited is a public company domiciled in the Republic of South Africa. The preliminary condensed consolidated financial statements of the company as at and for the year ended 28 February 2021 comprise the company and its subsidiaries (together referred to as the 'group') and the group's interest in joint ventures.

2. Basis of preparation

The condensed consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for preliminary reports and the requirements of the Companies Act of South Africa. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 – Interim Financial Reporting.

3. Preparation

The condensed consolidated financial statements are the responsibility of the board of directors of the company. These condensed consolidated financial statements were prepared under the supervision of the chief financial officer, Mike Smith, CA(SA). These condensed consolidated financial statements for the year ended 28 February 2021 have been reviewed by PricewaterhouseCoopers Inc., who expressed an unmodified review conclusion. A copy of the auditor's review report is available for inspection at the company's registered office together with the financial statements identified in the auditor's report. Any reference to future financial performance included in these condensed consolidated financial statements has not been reviewed by or reported on by PSG Konsult's auditor.

4. Accounting policies

The accounting policies applied in the preparation of these condensed consolidated financial statements are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements as at and for the year ended 29 February 2020, except for the restatement of the consolidated income statement and related segment information for the year ended 29 February 2020, and the mandatory adoption of minor amendments to IFRS, which are effective for the financial year commencing 1 March 2020. Refer to note 13 for further details on the restatement. The minor IFRS amendments have not resulted in any material impact on the group's 2021 reported results, comparative periods or disclosures.

5. Use of estimates and judgements

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated annual financial statements for the year ended 29 February 2020.

Western National Insurance performed a detailed analysis of the likely future value of COVID-19-related pandemic business interruption claims, with a resulting net increase in insurance related reserves, after allowing for the related reinsurance recoveries. The net value of future claims payable, and claims paid in the current year, did not have a material impact on the results of the group.

6. Segment information

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

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

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

6. Segment information (continued)

6.1 Description of business segments

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

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

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

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

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

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

6.2 Headline earnings per reportable segment

For the year ended 28 February 2021 (Reviewed)	Wealth R000	Asset Management R000	Insure R000	Total R000
Headline earnings[1]	444 488	103 356	148 791	696 635
– recurring	447 656	104 940	151 239	703 835
– non-recurring	(3 168)	(1 584)	(2 448)	(7 200)
Recurring headline earnings – excluding intangible asset amortisation cost[2]	489 559	105 447	172 931	767 937

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

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

Notes to the condensed consolidated financial statements

for the year ended 28 February 2021

6. Segment information (continued)

6.2 Headline earnings per reportable segment (continued)

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

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

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

6.3 Income per reportable segment

For the year ended 28 February 2021 (Reviewed)	Wealth R000	Asset Management R000	Insure R000	Total R000
Total IFRS reported income	2 617 313	462 135	2 170 694	5 250 142
Linked investment business and other income	17 573	–	–	17 573
Total core income	2 634 886	462 135	2 170 694	5 267 715
Total segment income	3 469 149	787 908	2 212 552	6 469 609
Intersegment income	(834 263)	(325 773)	(41 858)	(1 201 894)

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

Intersegment income and expenses consist of fees charged at market-related rates. The group accounts for intersegment income and expenses by eliminating these transactions to only reflect transactions with third parties. Intersegment income is eliminated by deducting it from total segment income to reflect income generated by segment from external customers.

The group mainly operates in the Republic of South Africa, with 92.6% (2020: 93.1%) of the total income from external customers (total IFRS reported income) generated in the Republic of South Africa.

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

6. Segment information (continued)

6.4 Divisional income statement

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

For the year ended 28 February 2021 (Reviewed)	Wealth R000	Asset Management R000	Insure R000	Total R000
Total income	2 634 886	462 135	2 170 694	5 267 715
Total expenses[1]	(1 994 514)	(327 379)	(1 871 574)	(4 193 467)
	640 372	134 756	299 120	1 074 248
Total loss from joint ventures	–	–	(59)	(59)
Profit before finance costs and taxation	640 372	134 756	299 061	1 074 189
Finance costs[2]	(28 080)	(3 899)	(6 473)	(38 452)
Profit before taxation	612 292	130 857	292 588	1 035 737
Taxation	(159 162)	(27 501)	(79 769)	(266 432)
Profit for the year	453 130	103 356	212 819	769 305
Attributable to:				
Owners of the parent	445 176	103 356	149 158	697 690
Non-controlling interest	7 954	–	63 661	71 615
	453 130	103 356	212 819	769 305
Headline earnings	444 488	103 356	148 791	696 635
Recurring headline earnings	447 656	104 940	151 239	703 835

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

[1] Depreciation and amortisation is included within total expenses and amounts to R104.2 million (2020: R88.8 million) for PSG Wealth, R10.5 million (2020: R8.8 million) for PSG Asset Management, and R52.4 million (2020: R46.5 million) for PSG Insure.

[2] The finance costs in the PSG Wealth division of R28.1 million (2020: R37.5 million) consist mainly of the finance charge on the lease liabilities of R17.7 million (2020: R15.8 million) with the remaining portion of the finance charge on the CFD margin, the loan funding and the bank overdrafts.

Notes to the condensed consolidated financial statements

for the year ended 28 February 2021

6. Segment information (continued)

6.5 Statement of financial position (client vs own)

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

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

As at 28 February 2021 (Reviewed)	Total IFRS reported R000	Own balances R000	Client-related balances R000
ASSETS			
Equity securities	2 577 300	31 650	2 545 650
Debt securities[1]	3 847 637	15 429	3 832 208
Unit-linked investments	61 790 947	1 713 628	60 077 319
Investment in investment contracts	14 402	–	14 402
Receivables including insurance receivables[1]	2 220 757	348 063	1 872 694
Derivative financial instruments	12 284	–	12 284
Cash and cash equivalents (including money market funds)[1]	1 603 624	1 598 357	5 267
Other assets[2]	2 140 450	2 140 450	–
Total assets	74 207 401	5 847 577	68 359 824
EQUITY			
Equity attributable to owners of the parent	3 604 903	3 604 903	–
Non-controlling interest	344 199	344 199	–
Total equity	3 949 102	3 949 102	–
LIABILITIES			
Investment contracts	30 719 905	–	30 719 905
Third-party liabilities arising on consolidation of mutual funds[1]	35 985 490	–	35 985 490
Derivative financial instruments	15 330	–	15 330
Trade and other payables[1]	2 477 264	838 165	1 639 099
Other liabilities[3]	1 060 310	1 060 310	–
Total liabilities	70 258 299	1 898 475	68 359 824
Total equity and liabilities	74 207 401	5 847 577	68 359 824

[1] The client-related balances include the impact of the consolidation of the PSG Money Market Fund. The cash invested therein is derecognised and all of the fund's underlying highly liquid debt securities, receivables and trade and other payables 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. Segment information (continued)

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

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

[1] The client-related balances include the impact of the consolidation of the PSG Money Market Fund. The cash invested therein is derecognised and all of the fund's underlying highly liquid debt securities, receivables and trade and other payables 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.

Notes to the condensed consolidated financial statements

for the year ended 28 February 2021

6. Segment information (continued)

6.6 Income statement (client vs own)

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

For the year ended 28 February 2021 (Reviewed)	Total IFRS reported R000	Core business R000	Linked investment business and other R000
Revenue from contracts with customers and other operating income[1]	3 863 112	3 941 469	(78 357)
Investment income[2]	168 784	168 784	–
Net fair value gains and losses on financial instruments	43 092	43 092	–
Net income attributable to investment contract holders and third-party liabilities	60 784	–	60 784
Net insurance premium revenue	1 114 370	1 114 370	–
Total income	5 250 142	5 267 715	(17 573)
Insurance claims and loss adjustment expenses	(1 011 841)	(1 011 841)	–
Other[1, 3]	(3 128 363)	(3 181 626)	53 263
Total expenses	(4 140 204)	(4 193 467)	53 263
Total loss from joint ventures	(59)	(59)	–
Profit before finance costs and taxation	1 109 879	1 074 189	35 690
Finance costs	(38 452)	(38 452)	–
Profit before taxation	1 071 427	1 035 737	35 690
Taxation	(302 122)	(266 432)	(35 690)
Profit for the year	769 305	769 305	–
Attributable to:			
Owners of the parent	697 690	697 690	–
Non-controlling interest	71 615	71 615	–
	769 305	769 305	–

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

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

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

6. Segment information (continued)

6.6 Income statement (client vs own) (continued)

For the year ended 29 February 2020 (Audited) (Restated)	Total IFRS reported R000	Core business R000	Linked investment business and other R000
Revenue from contracts with customers and other operating income[1]	3 678 801	3 753 354	(74 553)
Investment income[2, 3]	234 941	234 941	–
Net fair value gains and losses on financial instruments[3]	(16 432)	(16 432)	–
Net income attributable to investment contract holders and third-party liabilities[3]	62 694	–	62 694
Net insurance premium revenue	1 097 006	1 097 006	–
Total income	5 057 010	5 068 869	(11 859)
Insurance claims and loss adjustment expenses	(943 290)	(943 290)	–
Other[1, 4]	(3 063 383)	(3 111 286)	47 903
Total expenses	(4 006 673)	(4 054 576)	47 903
Total loss from joint ventures	(420)	(420)	–
Profit before finance costs and taxation	1 049 917	1 013 873	36 044
Finance costs	(45 303)	(43 500)	(1 803)
Profit before taxation	1 004 614	970 373	34 241
Taxation	(297 053)	(262 812)	(34 241)
Profit for the year	707 561	707 561	–
Attributable to:			
Owners of the parent	646 957	646 957	–
Non-controlling interest	60 604	60 604	–
	707 561	707 561	–

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

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

[3] Comparative figures have been restated, refer to note 13 for further details.

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

Notes to the condensed consolidated financial statements

for the year ended 28 February 2021

6. Segment information (continued)

6.7 Revenue from contracts with customers and other operating income

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

According to division

For the year ended 28 February 2021 (Reviewed)	Wealth R000	Asset Management R000	Insure R000	Total R000
Revenue from contracts with customers	2 514 794	452 970	780 328	3 748 092
Other operating income	12 723	(797)	181 451	193 377
	2 527 517	452 173	961 779	3 941 469

For the year ended 29 February 2020 (Audited)	Wealth R000	Asset Management R000	Insure R000	Total R000
Revenue from contracts with customers	2 309 027	505 496	783 557	3 598 080
Other operating income	12 098	(253)	143 429	155 274
	2 321 125	505 243	926 986	3 753 354

According to nature of the revenue

	Reviewed Year ended 28 Feb 21 R000	Audited Year ended 29 Feb 20 R000
Revenue from contracts with customers		
Dealing and structuring (including brokerage)		
– Brokerage[1]	245 380	207 258
– Offshore brokerage commission[1]	114 158	70 049
– Other dealing and structuring income[2]	129 591	107 600
Commission, administration and other fees		
– Commission income[3]	1 557 787	1 488 176
– Administration fees[3]	460 172	456 748
– Other fees[2]	44 982	46 556
Management and performance fees (including rebates)[3]	1 106 088	1 135 108
Policy administration fees[3]	89 934	86 585
	3 748 092	3 598 080
Other operating income		
Reinsurance commission income	167 726	136 883
Other	25 651	18 391
	193 377	155 274
	3 941 469	3 753 354

[1] Brokerage and offshore brokerage commission is recognised at a point in time.
[2] The other dealing and structuring income and other fees includes revenue recognised at a point in time and over time, with the majority of this revenue being recognised over time.
[3] This revenue from contracts with customers is recognised over time.

6. Segment information (continued)

6.8 Statement of cash flows (client vs own)

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

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

Included under receivables are broker and clearing accounts at our stockbroking business of which R1 614.1 million (2020: R1 625.7 million) represents amounts owing by the JSE for trades conducted during the last few days before the end of the year. The balances fluctuate on a daily basis depending on the activity in the market.

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

For the year ended 28 February 2021 (Reviewed)	Total IFRS reported R000	Own balances R000	Client-related balances R000
Cash flows from operating activities	1 519 620	6 493	1 513 127
Cash (utilised in)/generated by operations[1]	(204 586)	172 580	(377 166)
Interest received	1 336 796	163 873	1 172 923
Dividends received	726 985	4 911	722 074
Finance costs	(38 452)	(38 452)	–
Taxation paid	(302 427)	(296 419)	(6 008)
Policyholder cash movement	1 304	–	1 304
Cash flows from investing activities	(450 962)	(189 324)	(261 638)
Disposal of subsidiaries (including collective investment schemes)	(261 638)	–	(261 638)
Other[2]	(189 324)	(189 324)	–
Cash flows from financing activities	(527 173)	(527 173)	–
Net increase/(decrease) in cash and cash equivalents	541 485	(710 004)	1 251 489
Cash and cash equivalents at the beginning of the year	1 073 653	2 319 875	(1 246 222)
Exchange gains on cash and cash equivalents	2 210	2 210	–
Cash and cash equivalents at the end of the year	1 617 348	1 612 081	5 267

[1] The cash generated by operations under own balances includes R907.7 million excess short-term cash transferred to unit-linked investments that invest mainly in cash, money market and related instruments to enhance investment income yield.
[2] Other consists of cash flows relating to the deferred consideration paid for acquisition of businesses, the acquisition of intangible assets, purchases of property and equipment, proceeds from disposal of intangible assets and other.

Notes to the condensed consolidated financial statements

for the year ended 28 February 2021

6. Segment information (continued)

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

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

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

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

7. Investment contracts

Investment contracts are represented by the following financial assets:

	Reviewed as at 28 Feb 21 R000	Audited as at 29 Feb 20 R000
Equity securities	2 545 650	2 096 939
Debt securities	323 227	370 911
Unit-linked investments	27 804 752	24 180 202
Investments in investment contracts	14 402	15 587
Cash and cash equivalents	31 874	30 570
	30 719 905	26 694 209

8. Assets and liabilities held for sale

For the year ended 28 February 2021

The assets and liabilities classified as held for sale relate to the Western Insurance Botswana (Pty) Ltd and Western Life Insurance Botswana (Pty) Ltd businesses, which have been presented as held for sale following the approval by the group's management to sell these businesses.

	Western Insurance Botswana (Pty) Ltd R000	Western Life Insurance Botswana (Pty) Ltd R000	Total R000
Assets classified as held for sale			
Unit-linked investments	8 198	4 420	12 618
Reinsurance assets	19 423	–	19 423
Receivables including insurance receivables	11 930	26	11 956
Other assets	5 574	848	6 422
Cash and cash equivalents (including money market funds)	10 759	2 965	13 724
	55 884	8 259	64 143
Liabilities classified as held for sale			
Insurance contracts	31 825	2 814	34 639
Deferred reinsurance acquisition revenue	2 973	–	2 973
Other liabilities	650	1 246	1 896
	35 448	4 060	39 508

9. Notes to the statement of cash flows

9.1 Disposal of subsidiaries (including collective investment schemes)

For the year ended 28 February 2021

The group deconsolidated the PSG Wealth Global Preserver Feeder Fund and the PSG Diversified Income Fund during the 2021 financial year as the group lost control of these funds due to a decrease in the effective interest in the funds.

Details of the net assets disposed of are as follows:	PSG Wealth Global Preserver Feeder Fund R000	PSG Diversified Income Fund R000	Total R000
Equity securities	–	119 901	119 901
Debt securities	–	1 404 553	1 404 553
Unit-linked investments	1 262 117	–	1 262 117
Receivables including insurance receivables	757	2 854	3 611
Cash and cash equivalents (including money market funds)	58 100	203 538	261 638
Third-party liabilities arising on consolidation of mutual funds	(996 778)	(1 246 662)	(2 243 440)
Trade and other payables	(544)	(18 451)	(18 995)
Net asset value	323 652	465 733	789 385
Transfer to unit-linked investments	(323 652)	(465 733)	(789 385)
Cash consideration received	–	–	–
Cash and cash equivalents given up	(58 100)	(203 538)	(261 638)
Net cash outflow for the year ended 28 February 2021	(58 100)	(203 538)	(261 638)

For the year ended 29 February 2020

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

Notes to the condensed consolidated financial statements

for the year ended 28 February 2021

9. Notes to the statement of cash flows (continued)

9.2 Shares issued

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

	Reviewed Year ended 28 Feb 21 R000	Audited Year ended 29 Feb 20 R000
Issue of ordinary shares	36 628	24 145
Loss on issue of shares in terms of share scheme	–	(8 819)
Shares issued for asset-for-share transaction	(36 628)	–
Cash inflow	–	15 326

9.3 Other acquisitions

For the year ended 28 February 2021

The group, through its subsidiary PSG Multi Management Proprietary Limited, concluded a portfolio management acquisition transaction with some of its advisers during the reporting period. The purpose of this transaction was to consolidate and align certain client share portfolio research and operational management activities within the firm.

The consideration was paid with the issue of PSG Konsult shares (5 million shares at an average of R7.35 per share) and a cash consideration of R70.6 million on the effective date. The transaction did not qualify for accounting in terms of IFRS 3 – Business Combinations as the assets acquired (the right to an increased share in the income stream of the adviser) did not constitute a business acquired.

These transactions contributed R2.4 million to our headline earnings during the 2021 financial year, net of amortisation cost of R4.2 million.

For the year ended 29 February 2020

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

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

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

9.4 Cash and cash equivalents at the end of the year

	Reviewed as at 28 Feb 21 R000	Audited as at 29 Feb 20 R000
Cash and cash equivalents (including money market funds)	1 603 624	1 073 653
Cash and cash equivalents classified as assets held for sale	13 724	–
	1 617 348	1 073 653

10. Financial risk management

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

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

The condensed consolidated financial statements do not include all risk management information and disclosure required in the annual financial statements and should be read in conjunction with the group's annual financial statements as at 28 February 2021.

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

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

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

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

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

Included in the equity securities of R2 577.3 million (2020: R2 229.5 million) are quoted equity securities of R2 568.3 million (2020: R2 219.3 million), of which R2 537.8 million (2020: R2 088.1 million) relates to investments in linked investment contracts. The price risk of these instruments is carried by the policyholders of the linked investment contracts.

Unit-linked investments of R27 804.8 million (2020: R24 180.2 million) are linked to investment contracts and do not directly expose the group to price or interest rate risk.

Debt securities linked to policyholder investments amounted to R323.2 million (2020: R370.9 million) and do not expose the group to interest rate risk. Cash and cash equivalents linked to policyholder investments amounted to R31.9 million (2020: R30.6 million) and do not expose the group to interest rate risk.

Notes to the condensed consolidated financial statements

for the year ended 28 February 2021

10. Financial risk management (continued)

Fair value estimation

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

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

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

The table below analyses financial assets and liabilities, which are carried at fair value, by valuation method. There were no significant changes in the valuation techniques and assumptions applied since 29 February 2020.

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

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

10. Financial risk management (continued)

Fair value estimation (continued)

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

As at 28 February 2021 (Reviewed)	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments	–	12 284	–	12 284
Equity securities	2 568 338	–	8 962	2 577 300
Debt securities	827 633	3 020 004	–	3 847 637
Unit-linked investments	–	61 573 398	217 549	61 790 947
Investment in investment contracts	–	14 402	–	14 402
	3 395 971	64 620 088	226 511	68 242 570
Own balances	30 509	2 384 685	30 138	2 445 332
Client-related balances	3 365 462	62 235 403	196 373	65 797 238
Financial liabilities				
Derivative financial instruments	–	15 330	–	15 330
Investment contracts	–	30 523 532	196 373	30 719 905
Trade and other payables	–	–	49 036	49 036
Third-party liabilities arising on consolidation of mutual funds	–	35 985 490	–	35 985 490
	–	66 524 352	245 409	66 769 761
Own balances	–	–	49 036	49 036
Client-related balances	–	66 524 352	196 373	66 720 725

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

Notes to the condensed consolidated financial statements

for the year ended 28 February 2021

10. Financial risk management (continued)

Fair value estimation (continued)

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

	Reviewed 28 Feb 21 R000	Audited 29 Feb 20 R000
Assets		
Opening carrying value	309 845	455 099
Additions	66 010	121 445
Disposals	(167 850)	(306 234)
Gains recognised in profit or loss[1]	18 506	39 535
Closing carrying value	226 511	309 845
Liabilities		
Opening carrying value	341 565	526 784
Additions	126 760	153 934
Settlements	(233 939)	(377 146)
Losses recognised in profit or loss[1]	11 023	37 993
Closing carrying value	245 409	341 565

[1] The gains and losses on level 3 financial instruments are 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'.

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

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

11. Related-party transactions

Related-party transactions similar to those disclosed in the group's annual financial statements for the year ended 29 February 2020 took place during the financial year.

12. Events after the reporting date

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

13. Reclassification and restatement of prior year figures

The following reclassification and restatement were applied to the 29 February 2020 consolidated income statement and related segment information:

Reclassification – Net income attributable to investment contract holders and third-party liabilities (1)

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

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

The group previously disclosed the income recognised from the underlying assets of the consolidated collective investment schemes and policyholder investment contracts separately from the fair value adjustment to third-party liabilities and investment contract liabilities on the face of the consolidated income statement. In order to provide more relevant and reliable information to the users of the financial statements, management has made two changes to the presentation on the consolidated income statement. The interest and dividend income, relating to the consolidated collective investment schemes and policyholder investment contracts, which has previously been shown separately on the face of the income statement will now be included together with the net fair value gains and losses on financial instruments. Management have also changed the presentation to disclose the net fair value gains and losses on the assets and liabilities relating to the consolidated collective investment schemes and policyholder investment contracts on a single line on the face of the consolidated income statement, 'net income attributable to investment contract holders and third-party liabilities'. A detailed breakdown of the movements will be disclosed in the notes to the annual financial statements.

This change in presentation policy means that the consolidated income statement will no longer be subject to large fluctuations in income and the related fair value adjustments on the third-party liabilities and investment contract liabilities.

Due to the magnitude of the amounts relating to the policyholder investment contracts and consolidated collective investment schemes in comparison to the shareholder amounts included within total income, undue prominence was previously given to these amounts. The change in presentation therefore provides a more meaningful representation of the group's performance.

Notes to the condensed consolidated financial statements

for the year ended 28 February 2021

13. Reclassification and restatement of prior year figures (continued)

Restatement – Fair value gains and losses on third-party liabilities (2)

As part of the detailed assessment performed on the consolidated collective investment schemes, as explained on page 29, management investigated the fair value movements which were previously disclosed under 'net fair value gains and losses on financial instruments' in the 29 February 2020 financial statements. Based on the findings, management identified an error in the classification of a portion of the net fair value gains and losses on financial instruments which should have been disclosed within 'fair value adjustment to third-party liabilities' and have therefore restated the prior year to correct this.

The reclassification and restatement had no impact on the current or prior year reported income, earnings, diluted earnings or headline earnings per share, or on the net asset value or net cash flow. The financial effects of the reclassification and restatement are set out below:

For the year ended 29 February 2020	As previously stated R000	Reclassification – net income attributable to investment contract holders and third-party liabilities (1) R000	Restatement – fair value gains and losses on third-party liabilities (2) R000	Restated R000
Consolidated income statement				
Total income				
Interest income on amortised cost financial instruments	145 328	(50 022)	–	95 306
Interest income on fair value through profit or loss financial instruments	1 446 269	(1 310 335)	–	135 934
Dividend income	646 607	(642 906)	–	3 701
Net fair value gains and losses on financial instruments	(141 842)	365 746	(240 336)	(16 432)
Fair value adjustment to investment contract liabilities	(505 539)	505 539	–	–
Fair value adjustment to third-party liabilities	(1 309 620)	1 069 284	240 336	–
Net income attributable to investment contract holders and third-party liabilities	–	62 694	–	62 694
Total	281 203	–	–	281 203

Corporate information

Non-executive directors
W Theron (Chairman)
PJ Mouton
J de V du Toit^
PE Burton*
ZL Combi*
ZRP Matsau*
TC Isaacs*
AH Sangqu*
(^ Lead independent; * Independent)

Executive directors
FJ Gouws (Chief executive officer)
MIF Smith (Chief financial officer)

Registered name
PSG Konsult Limited
(Incorporated in the Republic of South Africa)
('PSG Konsult' or 'the company' or 'the group')
Registration number: 1993/003941/06
JSE share code: KST
NSX share code: KFS
SEM share code: PSGK.N0000
ISIN code: ZAE000191417
LEI: 378900ECF3D86FD28194

Company secretary
PSG Management Services Proprietary Limited

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Stock Exchange of Mauritius (SEM)

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Sponsors
JSE sponsor: PSG Capital Proprietary Limited
Independent Joint JSE sponsor: UBS South Africa Proprietary Limited
NSX sponsor: PSG Wealth Management (Namibia) Proprietary Limited
SEM authorised representative and SEM sponsor: Perigeum Capital Ltd

Auditor
PricewaterhouseCoopers Inc.
Cape Town

Website address
www.psg.co.za

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