

Integrated Report 2020

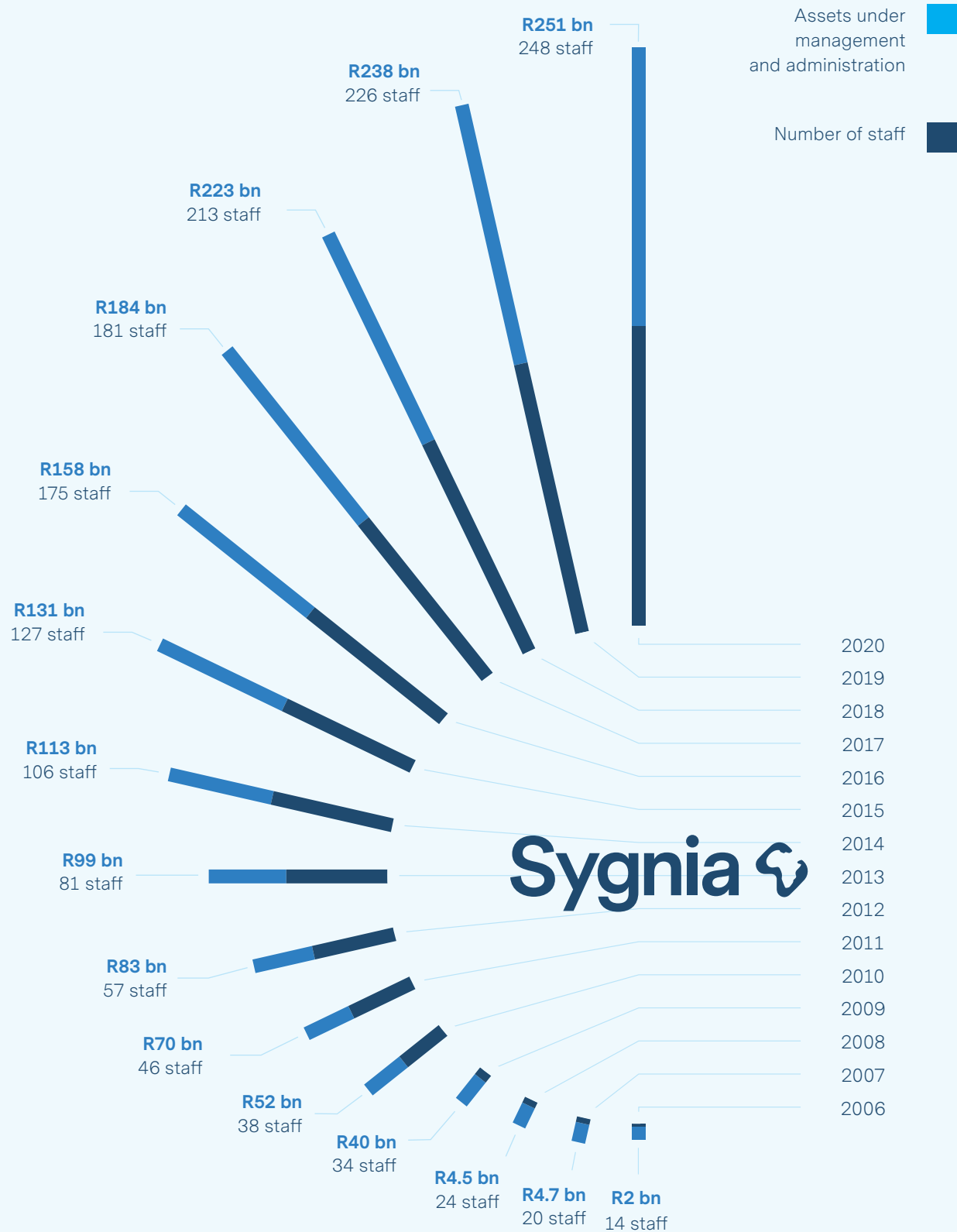


Sygnia 

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14 Years of growth



Scope of the report

Introduction

Sygnia Limited (which includes all its subsidiaries) (“Sygnia” or “the Group”) is pleased to present its Integrated Report covering the performance of the Group from 1 October 2019 to 30 September 2020. The report has been designed to communicate Sygnia’s objectives, value creation proposition and business sustainability to all stakeholders in order to enhance their understanding of the Group. In addition, the report provides an overview of the Group’s financial, governance, environmental and social components in order for stakeholders to assess the Group’s ability to create and sustain value over the short, medium and long term.

Framework and guidelines

The 2020 Integrated Report has been compiled in accordance with the International Integrated Reporting Framework (“IIRF”), discussion papers issued by the International Integrated Reporting Council (“IIRC”) and the Integrated Reporting Council of South Africa (“IRCSA”) and, as required by the applicable legislation, the report indicates how the Group has complied with the principles of the King IV Report on Corporate Governance (“King IV”). The King IV principles have been applied and explained as outlined in the relevant sections of this report. The IIRC recommends reference to the six capitals or stores of value that a company can use in the production of its goods and services, namely: financial capital, human capital, intellectual capital, social and relationship capital, natural capital and manufactured capital. Only the first four are regarded as relevant to Sygnia and are thus covered in this report.

The financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”), the Companies Act, No. 71 of 2008, as amended (“the Companies Act”) and the Listings Requirements of the Johannesburg Stock Exchange (“JSE”).

Assurance

The financial statements have been audited by Mazars, whose unmodified opinion is included on page 85 of this Integrated Report.

Forward-looking statements

The 2020 Integrated Report contains references to forward-looking statements. These statements are subject to risks and uncertainties, which may result in the actual performance being materially different from what has been expressed or implied by such statements. Stakeholders are thus advised not to place undue reliance on any forward-looking statements. Sygnia will not update or revise any forward-looking statements, even if new information becomes available, other than as required in terms of the Listings Requirements of the JSE.

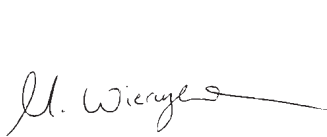
Statement of responsibility

The Audit and Risk Committee acknowledges its responsibility, on behalf of the Board, to ensure the integrity of this Integrated Report. The Audit and Risk Committee has accordingly applied its mind to the report and believes that it appropriately and sufficiently addresses all material issues, and fairly presents the integrated performance of Sygnia for the year ended 30 September 2020, within the scope and boundaries mentioned in the preceding paragraphs. The Audit and Risk Committee recommended this Integrated Report to the Board for approval.

/ Scope of the report

Approval for publication

The board of directors is ultimately responsible to ensure the integrity of the 2020 Integrated Report and has approved the final report. The directors have applied their collective minds in the preparation and presentation of this report in accordance with the requirements of the IIRF and have satisfied themselves of the materiality, accuracy and balance of disclosures in terms of the performance of Sygnia for the year ended 30 September 2020. They therefore approved the 2020 Integrated Report for publication.



Magda Wierzycka
Chief Executive Officer



David Hufton
Chief Executive Officer



Haroon Bhorat
Non-Executive Chairman

Corporate structure

The Sygnia Group comprises the holding company, Sygnia Limited, listed on the main board of the JSE and the A2X exchange, as well as the following wholly-owned subsidiaries (unless otherwise indicated):

Sygnia Asset Management Proprietary Limited (“Sygnia Asset Management”)

An asset management company that provides the following services and products to institutional and retail clients:

- Multi-manager investment solutions
- Specialist and balanced index-tracking solutions
- Management and administration of custom-designed investment strategies
- Transition management
- Investment administration services (this service is also provided to US- and UK-based institutional clients)

Sygnia Life Limited (“Sygnia Life”)

A life insurance company with a licence limited to issuing linked investment policies, used for the purposes of structuring pooled, unitised investment portfolios for institutional and retail clients and for issuing sinking fund policies and living annuities to individual investors.

Sygnia Collective Investments (RF) Proprietary Limited (“Sygnia Collective Investments”)

A management company that offers a range of single manager, multi-manager, fund of funds and index-tracking unit trusts to the institutional and retail market.

Sygnia Itrix (RF) Proprietary Limited (“Sygnia Itrix”)

A management company that offers a range of Exchange Traded Funds (“ETFs”) listed on the JSE.

Sygnia Capital (RF) Proprietary Limited (“Sygnia Capital”)

An entity registered for the purpose of issuing preference shares for the partial funding of the acquisition of Sygnia Itrix.

Sygnia Securities Proprietary Limited (“Sygnia Securities”)

An “agency-only” stockbroker that does not engage in proprietary trading; used for cost-effective trading for Sygnia’s index-tracking funds and/or transition management programmes, and which also provides securities lending services.

Sygnia Financial Services Proprietary Limited (“Sygnia Financial Services”)

A linked investment service provider (“LISP”) company that offers investment administration services and savings products (retirement annuities, living annuities, preservation funds) to the retail market.

Sygnia Benefit Administrators Proprietary Limited (“Sygnia Benefit Administrators”)

An employee-benefits administration company that offers liability administration and consulting services to institutional investors and sponsors the Sygnia Umbrella Retirement Fund offered to the institutional market.

Sygnia Holdings UK Limited Group (“Sygnia UK”)

A group structure registered in the United Kingdom to house the individual operating entities registered for the purposes of expansion into the UK. Sygnia UK contains entities that will offer investment management and financial advisory services, as well as a range of regulated savings products.

Sygnia Asset Management UK Limited (“Sygnia Asset Management UK”)

A wholly-owned subsidiary of Sygnia UK that provides investment management and advisory services.

WealthFoundry Proprietary Limited (“WealthFoundry”)

A linked investment service provider (“LISP”) company that offers investment administration services and savings products (retirement annuities, living annuities, preservation funds) to the retail market. This company is 51%-owned by Sygnia Limited.

/ Corporate structure

The diagram below shows the Group's most recent organisational structure:

In terms of operating activities, the Group has four main business units:

- i. Institutional business: asset management, treasury and investment administration services
- ii. Retail business: savings products and LISP administration
- iii. Employee benefits: liability administration and umbrella fund services
- iv. Stockbroking: trade execution and securities lending

Sygnia Limited



Note: Subsidiaries that are in the process of being liquidated, insignificant or dormant have not been included.

Corporate information

Annual general meeting:

28 January 2021

Share code (ordinary shares):

SYG

ISIN:

ZAE000208815

Board of directors:

Name	Date of appointment	Date of resignation
HI Bhorat (Chairman) #	11/06/2015	
G Cavaleros (Lead Independent) *#	28/06/2019	
MF Wierzycka (CEO)	17/09/2007	
DR Hufton (CEO)	01/09/2018	
M Sirkot (Financial Director)	16/01/2019	
IK Moyane *#	10/09/2015	31/03/2020
MH Jonas #	01/09/2018	
A Crawford-Brunt #	01/11/2018	
R Sithubi *#	26/02/2019	
C Appana *#	08/09/2020	

* Independent # Non-executive

Transfer secretaries:

Computershare Investor Services Proprietary Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001

Registered office:

7th Floor, The Foundry
Cardiff Street
Green Point
8001

Postal address:

PO Box 51591
Waterfront
8002

External auditor:

Mazars, Mazars House
Rialto Road
Grand Moorings Precinct
Century City, 7441
South Africa

Company secretary:

G MacLachlan
Appointed: 01/11/2016

Board of directors

Executive directors

Magdalena Franciszka Wierzycka

Chief Executive Officer

Magda is a Fellow of the Faculty of Actuaries (Edinburgh) and has, in the past, served as a council member of the Actuarial Society of South Africa. She is a member of the Africa Advisory Board for the Center for African Studies at Harvard University, has over 24 years' experience in the South African asset management industry and has been published widely in the field.

Magda started her career as a product development and investments actuary at Southern Life in 1993, followed by two years at Alexander Forbes as an investment consultant. In 1997, she joined Coronation Fund Managers as a Director and Head of Institutional Business. She left Coronation in 2003 to start IQvest, a fund of hedge funds management company. Later that year, after selling IQvest to the African Harvest group, she was appointed to the position of CEO of African Harvest. After negotiating the sale of African Harvest Fund Managers to Cadiz Financial Services in 2006, she led the management buy-out of the remainder of the African Harvest group, which resulted in the formation of Sygnia. She has headed Sygnia as its CEO since its inception in 2006.

David Roy Hufton

Chief Executive Officer

David is a Fellow of the Actuarial Society of South Africa and a Fellow of the Institute of Actuaries. He worked at Alexander Forbes for 25 years, having held various leadership positions across the company and served on its Financial Services Executive Committee for many years. In his final role as the National Head of Consulting, David had oversight of the Consultants & Actuaries, Umbrella Funds, Asset Consulting, Insurance Consulting and Healthcare divisions. He also chaired the group's Actuaries Committee and the committee in charge of the group's strategic direction of its suite of umbrella retirement funds. David has vast experience as a principal employee benefits consultant, consulting actuary, and valuator to large retirement funds.

David joined Sygnia in early 2016 as Head of Strategic Projects, which has seen him manage the launch of the Sygnia Umbrella Retirement Fund, the expansion of existing business lines, the undertaking of operational and cost-efficiency programmes and certain business acquisitions. He was appointed Deputy CEO in July 2019 and CEO in April 2020.

Murad Sirkot

Financial Director

Murad qualified as a Chartered Accountant and holds a Bachelor of Commerce degree from the University of Cape Town. He completed his training with Ernst & Young Cape Town, worked as an account executive in the London office and later as an audit manager in the financial services division in Cape Town. Murad then joined Ninety One Asset Management (previously Investec Asset Management) as Head of Fund Accounting and Risk in 2006. He continued in this role until October 2010, when he was appointed Head of Finance for Southern Africa. In June 2013, Murad was appointed Global Head of Financial Reporting, leading finance teams in Cape Town, London and Hong Kong. Subsequent to joining Ninety One, he served on a number of committees, including sub-committees of the Association of Savings and Investment in South Africa.

/ Board of directors

Non-executive directors

Haroon Ismail Borat

Non-Executive Chairman

Haroon is a Professor of Economics and is the Director of the Development Policy Research Unit (DPRU) at the University of Cape Town (UCT). He obtained his PhD in Economics through Stellenbosch University, studied at the Massachusetts Institute of Technology and was a Cornell University research fellow. He is currently a member of the Presidential Economic Advisory Council (PEAC), established in 2019 by President Ramaphosa to generate new ideas for economic growth, job creation and addressing poverty in South Africa. Haroon is the Independent Non-Executive Chairperson of Sygnia, and is an Independent Non-Executive Director for Pick 'n Pay Stores Limited.

Haroon has published more than 180 academic journal articles, book chapters and working papers, and holds the highly prestigious National Research Chair under the theme of Economic Growth, Poverty and Inequality: Exploring the Interactions for South Africa. Haroon is a Non-resident Senior Fellow at the Brookings Institution, a Research Fellow at the Institute for the Study of Labour (IZA), and was recently invited to join the UCT College of Fellows. He is a member of numerous international committees and panels, including the Advisory Board of the UNDP's 2020 Human Development Report, the ILO's Global Research Reference Group (RRG), and the World Bank's Advisory Board of the Commission on Global Poverty. He sits on the editorial advisory board of the World Bank Economic Review, and is a Board Member of the National Research Foundation (NRF), Partnership for Economic Policy (PEP), and UNU World Institute for Development Economics Research (UNU-WIDER). Haroon was an advisor on the South African Parliament's High-Level Panel on Acceleration of Change and Transformation. He served as an economic advisor to former Minister of Finance Pravin Gordhan and to former presidents Thabo Mbeki and Kgalema Motlanthe, formally serving on the Presidential Economic Advisory Panel.

Through the inter-disciplinary, inter-university State Capacity Research Project, Haroon partnered with peers at a number of South African universities to document the process that has become known in South African public discourse as "state capture". The "explosive" research-intensive report, "Betrayal of the promise: how South Africa is being stolen" was released in May 2017 and sets out the emergence of a shadow state in South Africa. This document has become critical to understanding the extent of corruption in South Africa.

Mcebisi Hubert Jonas

Non-Executive Director

Mcebisi Jonas is the MTN Board Chairman of MTN Group. He is also a non-executive board member at Northam Platinum, BKB, Country Consultative Board (CCB) for the World Bank. Mcebisi is currently one of seven Presidential Investment Envoys appointed by President Cyril Ramaphosa to attract USD100 billion to South Africa over the next five years.

Mcebisi served as Deputy Minister of Finance from 2014 to 2016 and as a Member of the National Assembly of South Africa from 2014 to 2017. During this time, he also chaired the Public Investment Corporation, the state-owned pension fund manager and one of Africa's largest investment managers. He was previously provincial minister for Economic Development and Environmental Affairs in the Eastern Cape.

He served as Chief Executive Officer of the Eastern Cape Development Corporation (ECDC), a state-owned entity, which successfully amalgamated various smaller development institutions. He also served as Chief Executive Officer of the Centre for Investment and Marketing in the Eastern Cape, developing the investment promotion agenda for the province, which resulted in the establishment of the ECDC, the Coega Industrial Development Zone and the East London Industrial Development Zone.

/ Board of directors

George Cavaleros

Lead Independent Non-Executive Director

George was a Partner at Deloitte and retired effective 31 May 2015 after a career spanning 30 years. He holds a Bachelor of Accounting Science (BCompt) degree and a Master of Commerce in Applied Risk Management (MCom, cum laude). He is also a member of the South African Institute of Chartered Accountants and is a Charterholder at the CFA Institute. As a financial services industry (FSI) partner, George provided audit and a variety of other professional services to clients, including life insurance and re-insurance companies, retirement funds and administrators, asset managers, collective investment schemes and their management companies, hedge funds and other finance entities. George was also active on various audit committees, including the UCT audit committee as Deputy Chairperson and as Chairperson of the Cape Medical Plan Audit and Risk Committee.

George currently serves as an independent non-executive director on the boards of a listed real estate investment trust, Accelerate Property Fund Limited, and a diversified chemicals group, Omnia Holdings Limited.

Ropfiwa Sithubi

Independent Non-Executive Director

Ropfiwa is currently a Lecturer at the University of Cape Town and has qualified for a Master of Commerce degree in Accounting. She joined UCT in February 2018 after leaving her position as a senior manager at KPMG. She served eight years at KPMG, overseeing a variety of teams, and dealt with large clients, such as Old Mutual, Citadel, RCS Group. Ropfiwa holds a CA(SA) qualification and an Advanced Certificate in Emerging Markets and Country Risk Analysis from Fordham University.

Ropfiwa also currently serves as a Trustee on the UCT Retirement Fund and is also a member of a sub-committee for the Independent Regulatory Board for Auditors (IRBA).

Andre Crawford-Brunt

Non-Executive Director

Andre holds a Bachelor of Commerce degree in Commercial Law and Business Economics from Rhodes University. He started his career in Johannesburg in 1994 at Ivor Jones Roy, which was bought out by Deutsche Bank. He subsequently spent 22 years at Deutsche Bank, working in senior leadership roles in Johannesburg, London and New York. His final position was that of Global Head of Equity Trading. Andre left Deutsche Bank in 2015.

Andre is currently the Managing Partner at Braavos Partners, a late-stage global investment and financial advisory firm focusing on biotechnology and information technology companies. In addition, he is an advisor to and an investor in the £600 million Oxford Sciences Innovation Fund; a chairman at Osler Diagnostics, a blood diagnostic start-up company spun out of the chemistry department at the University of Oxford; and a Chairman of PQ Shield, a start-up company focused on post-quantum cryptography working in collaboration with the Maths Institute at the University of Oxford. Andre is also a director and founding investor of Deep Science Ventures and a director of Next Biosciences, the largest cord blood tissue bank in Africa.

/ Board of directors

Clarissa Appana

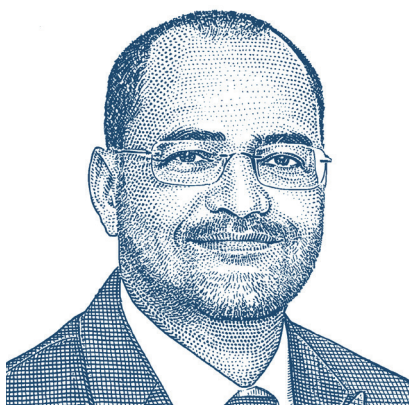
Independent Non-Executive Director

Clarissa was recently appointed as the Chief Financial Officer for the LafargeHolcim Group in South Africa. She has worked in South Africa, the USA and in Europe, managing teams across different geographies and disciplines, with a focus on people and teamwork. An experienced financial director with a demonstrated history of working in listed and non-listed groups, she has spent the last 10 years with the Tenova Group in various senior roles, including as Head of Internal Audit and Compliance.

Clarissa is skilled in people management, IFRS, business strategy, audit, anti-corruption, compliance, Foreign Corrupt Practices Act, due diligence, project management and leadership.

She holds a Bachelor of Commerce (Accounting) degree and an Honours degree from the University of KwaZulu-Natal and qualified as a Chartered Accountant in 2005, having completed her articles with PwC Gauteng. She is a member of the South African Institute of Chartered Accountants (SAICA), with previous membership at ABASA and IODSA, and serves as an executive Board member on several of the subsidiary boards for the LafargeHolcim Group in South Africa.

Chairman's report



2020 has been a profoundly tumultuous year during which we all faced tremendous uncertainty and anxiety. While the challenge is not yet over, we are pleased to have come through it with significant growth in all major financial matrices. The executive team must be congratulated for doing an outstanding job in managing the operations of the Group through this stressful period.

The COVID-19 pandemic represents probably the most significant negative health and economic shock the planet has experienced in the almost 100 years since the Great Depression. Given the interconnected nature of the global economy, on balance the pandemic will probably be responsible for the largest social and economic disruption ever witnessed. As a partial reflection of this destruction, the IMF projects that global growth will decline by -4.4% for 2020, with a tepid recovery of 5.2% going into 2021. In the face of the unprecedented economic destruction brought on by this era of “lockdown economics”, governments around the world have responded with COVID-19 support packages to firms and households on an unprecedented scale. Central banks in advanced countries in particular have ushered in a new era of excess money supply and low interest rates, yielding to the views of the so-called modern monetary theorists.

South Africa, of course, has not been spared its share of COVID-19 destruction. Following the declaration of a National State of Disaster on 15 March 2020, South Africa's number of confirmed COVID-19 cases passed 100 just three days later, and a complete national lockdown was imposed for five weeks from 27 March until 1 May 2020, after which a risk-adjusted, phased reopening of the economy was introduced. On 15 October 2020, President Cyril Ramaphosa presented the government's Economic Reconstruction and Recovery Plan (ERRP) to restore the South African economy in the wake of the pandemic. Immediately following the pandemic, re-estimates of projected growth painted a grim picture, and a simple average of five macroeconomic models currently projects a 6.6% decline in GDP for 2020, with the bounce-back expected to be between 2.2% and 5.1% in 2021.

At the heart of President Ramaphosa's recovery plan is a stimulus package of about R500 billion, or 10% of GDP. As a share of GDP, this represents the highest quantum of spending in the emerging markets and is notably larger than several high-income countries, including South Korea and Canada. However, such a response, at scale, comes at a price; the fiscal consequence of the COVID-19 stimulus package has been the revision of projected deficit estimates upwards to an eye-watering 15.7%. Provisional results show that South Africa's deficit-to-GDP ratio now ranks as one of the highest in the world, after the United States and Brazil. The fiscal consolidation path presented in the most recent Budget for 2020/21 has been met with skepticism by the market, commentators and the policy community, and the President's Economic Advisory Council noted the following:

It is, however, patently not possible to stabilise the debt over the medium term, despite the Minister of Finance's commitments in this regard – it will take much longer. Even if it were possible, it may not be desirable to force a drastic contraction of spending while the economy is already being battered by the COVID-19 lockdown (PEAC Report, October 2020).

Estimates of national expenditure show that approximately 80% of total expenditure is allocated to the public sector wage bill, interest payments and transfers. Once procurement of goods and services is accounted for, some 2% is left for investment expenditure by the state. Without a dramatic economic growth recovery, a revised fiscal strategy and, in the short run, some form of optimised revenue strategy, South Africa is on a rapid path to a fiscal crisis. The magic bullet, or the closest we have to one as a country, is to put instruments and policies in place that will facilitate a step-change in the level of economic growth in the country.

/Chairman's report

We offer three positives as a country. Firstly, we remain a large emerging market with deep financial markets, which by its nature offers significant yields and relatively high returns across a range of assets and sectors. Secondly, in the current President and Cabinet, we have a political commitment to reducing wastage and corruption, together with the pursuit of investment-led economic growth. And finally, all the growth forecasts, including those for the global and developing world, point to a growth recovery into 2021. We thus remain cautiously optimistic going into 2021 – kick-starting with the possible availability of a COVID-19 vaccine!

Financial performance

Despite 2020 being a very challenging and economically turbulent environment for cyclical businesses such as Sygnia, the company's assets under management and administration increased by 5.6% to R251.8 billion as at 30 September 2020 (2019: R238.4 billion). During the same period the FTSE/JSE All Share Index returned 2.0%, the JSE All Bond Composite Index 3.6% and the MSCI World Index, in SA Rands, 21.6%. The growth has also taken place in an environment where the institutional savings market is shrinking by virtue of almost negligible economic growth, corporate closures and mass retrenchments in South Africa.

Sygnia's most notable achievement in the past year was the top quartile performance of most of its investment funds across all risk categories and asset classes as compared to its multi-manager and single manager peers. This compounds the already exceptional performance that we have delivered to our investors since the inception of the company in 2006 positioning the performance of our funds at the top of competitor surveys over most timeframes. This performance is a mixture of low-cost strategies and a strong focus on macroeconomic trends, which drive active asset allocation decisions. Our top performance has been a strong factor behind our growing presence in the retail market.

In addition, the Group has launched new products and services in line with its interpretation of customers' demands and regulatory trends, contributing to the growth in its revenue.

Sygnia's focus on low-cost investment and savings products and service provision has meant that, in contrast to our competitors, we have experienced little pressure on management fees. Our past initiatives, such as the launch of the Sygnia Umbrella Retirement Funds (SURF) in 2016 and the acquisition of the db X-tracker passive management business from Deutsche Bank in 2017 (renamed to Sygnia Itrix), are also starting to contribute materially to the Group's results, both financially and in terms of market recognition and profile. SURF is now the sixth largest umbrella fund offering in South Africa, while Sygnia Itrix is the second largest provider of ETFs listed on the JSE.

In terms of financial performance, total revenues, at R661.0 million, rose by 30.1% (2019: R508.1 million), while total expenses, at R381.9 million, increased by 12.5% (2019: R339.4 million). The increase in expenses was primarily driven by higher staff costs associated with increased business activity, an increase in trading, custody and administration costs and marketing expenditure. This is partially offset by a decrease in third-party investment management fees paid, once-off expenses associated with entering the UK market and an impairment to the Bitcoin exchange project in the prior year. The increase in finance costs to R16.4 million (2019: R12.4 million) primarily relates to the IFRS 16 finance costs on corporate office leases. The Group generated a gain on invested capital of R8.5 million (2019: R0.7 million loss). The loss in the prior period was mainly due to closing out of equity and currency investments, which were substituted for interest income instruments.

Profit after tax increased by 63.7% to R206.1 million (2019: R125.9 million) in spite of difficult market conditions.

The Group continues to invest in technology to ensure that Sygnia continues to offer leading fintech solutions and exceptional service to clients. Its offshore expansion is not expected to contribute materially to the results for the foreseeable future, but is regarded as an exciting opportunity to diversify its revenues.

Transformation

Sygnia continues to be committed to the policy of sustainable transformation in all spheres of its operation. It is very pleasing to see that transformation and gender equality strategies have seen both black and female staff percentages at 67% and 58%, respectively, in 2020. In addition, qualifying staff with more than one year of service with the Group participate as beneficiaries of the broad-based BEE staff scheme, the Ulundi Staff Trust, which controls 6.0% of Sygnia Limited.

As the first large asset manager in South Africa with a female CEO, Sygnia prides itself on gender diversity across all lines of management. With strong black staff representation and an ever-growing female workforce, Sygnia remains strongly committed to racial and gender equality and transformation. It looks forward to breaking more boundaries and pioneering the way within the financial services sector.

Stakeholders

Sygnia is passionate about balancing the interests of all its key stakeholders, including clients, consumers, staff and shareholders.

Sygnia follows the principles outlined in the FSCA's Treating Customers Fairly ("TCF") framework. Its focus on the provision of low-cost savings products to all South Africans places Sygnia well ahead of its peers in the financial services industry. Its market disruptor model and broad-reaching, low-cost business strategies ensure that the company continues to thrive as it expands its reach and grows its visibility in the younger and more tech-savvy South African market.

Sygnia's success can be attributed to the commitment and dedication of all its staff. Attracting and retaining staff who share Sygnia's passion and vision remains a key objective, and, to this end, the company places emphasis on competitive compensation, dynamic working conditions and opportunities for personal and career growth.

Sygnia also works closely with the relevant regulators to improve the investment climate and the regulatory environment for financial services providers.

Commitment to society

Corporate Social Investment ("CSI") is an important part of Sygnia's corporate responsibility and is overseen by the Social and Ethics Committee, a formal subcommittee of the board of directors.

Social challenges facing the country are considered when projects are identified, and the key focus is on education, investing in initiatives from early childhood development through to tertiary education programmes.

Sygnia collaborates with sustainable organisations and projects that focus on empowerment through education, helping previously disadvantaged individuals to actively participate in the South African economy.

Sygnia's values and business objectives ensure its continued good business practice results in its ability to do good work.

Conclusion

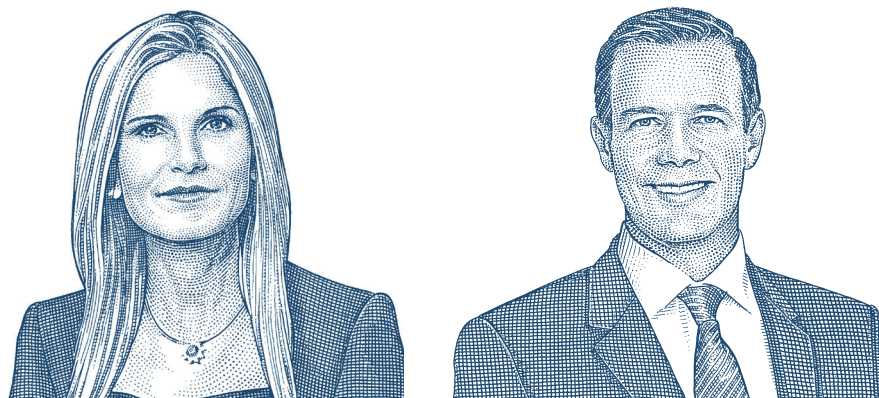
I would like to extend a warm welcome to Clarissa Appana who joins the board as an independent non-executive director. I would also like to take this opportunity to thank the board of directors, Sygnia's management team and all staff for their unwavering commitment and hard work during what has been an incomparable, unprecedented 2020. We wish them all the best for 2021.

A handwritten signature in black ink, appearing to read 'Haroon Borat', with a stylized flourish at the end.

Haroon Borat

Non-Executive Chairman

Chief executive officers' report



Sygnia's resilience and the shared purpose of our people to turn ordinary savers into extraordinary investors has allowed us to withstand the worldwide challenges of 2020, to continue to serve our clients with excellence and to deliver top investment performance that has culminated in a record set of financial results.

Overview

The catastrophic social and economic impact of the Covid-19 pandemic will feature in the annual shareholder reports of listed companies across the globe. Over a million people have lost their lives, while countless others have suffered a severe financial toll since the outbreak of the coronavirus. Small businesses have fared the worst in the lockdowns, from laying off staff to reducing salaries to closing up shop altogether. Those businesses managing to weather the pandemic have had to adapt to a new way of operating – from managing staff working from home to servicing customers remotely – and it is unlikely that they will return to their business models of less than a year ago. Businesses are already rethinking the manner in which they operate, and many are transforming at a faster pace than they may have planned.

Most countries have endured some level of lockdown as governments have looked for ways to “flatten the curve”. Having been classified as an essential services provider, Sygnia has remained open for business since the imposition of lockdown Level 5 in South Africa. Safeguarding the well-being of our employees was a priority, and our business continuity plan proved effective in transitioning most staff to work from home, with only a skeleton crew needed in the office. Notwithstanding the easing of one of the most severe and prolonged lockdowns in the world, the majority of our staff continue to work from home. Our other priority was to stay connected to our clients, most of whom have adapted to operating in a virtual environment. It is anticipated that many clients will favour this way of doing business under normal business conditions too, which we embrace.

As the coronavirus took hold, it affected financial markets to the same degree as the Global Financial Crisis and the Great Depression, but the rebound in global markets was swift and the impact on our revenue was thus muted. Our market outlook nevertheless remains cautious as a Covid-19 resurgence sweeps the northern hemisphere and the South African economy continues to stumble. Despite these challenges, we remain confident in our strategic intent to transform into a large-sized financial services group. Our low-cost proposition remains compelling, even more so with the subdued economic outlook, and our innovative and diversified business model makes us resilient to shocks.

/ Chief executive officer's report

Top investment performance

Investment performance is a key factor for clients choosing an investment manager, and Sygnia has continued to deliver exceptional long-term performance across its entire suite of funds. According to the major performance surveys, the Sygnia institutional multi-manager and passive funds outperformed their peers over every risk profile and timeframe to the end of September 2020 (surveys are compiled with performance numbers over one, three, five, seven and ten years). These funds also performed exceptionally well compared to their actively managed institutional counterparts, while our retail funds continue to rank in the top quartile.

Business review

Against the backdrop of one of the largest economic and social crises of our time, Sygnia's assets under management and administration have grown to R251.8 billion (2019: R238.4 billion), and we have recorded a very satisfying set of financial results.

We are especially pleased with the performance of our retail business, which has enjoyed steadily growing monthly inflows and ended the year with R40.2 billion (2019: R30.1 billion) under management. This is largely attributable to an ever-expanding brand awareness, strong relative investment performance and the launch of new and innovative funds. It also suggests that people have emergency funds to fall back on and/or that they have preserved the severance benefits paid to them from distressed employers. Our commitment to low-cost savings and investment products also continues to resonate with financial advisors and direct clients.

Despite a contracting savings industry, the number of retail investors using the Sygnia LISP platform has increased significantly to 24 092 (2019: 17 875). While the largest proportion of retail assets is advice-led, the fact that almost half our retail clients are DIY investors speaks of our popularity with South Africans from all walks of life. Regrettably, our strategic plan to outsource our platform technology to one of the world's leading providers has encountered significant delays on the provider's side, and we continue to manage the issue closely.

In the institutional space, investment opportunities among stand-alone retirement funds are generally fewer due to the ongoing trend of employers of all sizes participating in umbrella funds. The appetite among those funds for passive investing is on the rise. However, particularly in view of regulations requiring boards of trustees to consider passive and value-for-money investment strategies, Sygnia is well positioned to take advantage of such a shift.

As of last year, ASISA requires sponsors of commercial umbrella funds to present a comprehensive standard cost disclosure to participating employers at point of sale, and a standardised member-level cost disclosure will be required from 1 April 2021. These added layers of disclosure are expected to make costs a key consideration for fund members and their employers when selecting and reviewing umbrella funds, which again is a shift we are well positioned for. The Sygnia Umbrella Retirement Fund, launched in 2016 as the lowest-cost umbrella fund in South Africa, will benefit from industry consolidation and is now placed sixth in size behind the five larger funds established decades ago.

Many of our institutional clients have been hard hit by the pandemic, with a few employers facing closure and others reducing or suspending retirement contributions. Despite client retention in excess of 99%, this has naturally negatively impacted flows into our institutional business.

Our treasury and scrip-lending services, started two years ago, have already become significant contributors to the business.

Finally, the introduction during the year of a joint CEO model has offered Sygnia increased scope and capacity in terms of leadership and management. Our complementary skill sets serve the business well, and we share the same vision for the Sygnia group and its future.

Market conditions

Coming into our 2020 financial year, South Africa was working its way out from under the boot of a decade of corruption under the Zuma administration, and there was great optimism that we could find a way out of the downward spiral of the “lost decade”. Unfortunately, the emergence of the coronavirus, and its impact on the global economy, has ceased any nascent recovery and, in fact, accelerated all of the worst trends in South Africa – inequality, corruption and unemployment.

The first quarter of 2020 saw the fastest bear market in history as the S&P 500 experienced a 34% sell-off from its high on 19 February to its low on 23 March. Central banks around the world responded with increased quantitative easing, driving real interest rates even further into negative territory. Mercifully, markets stabilised, with the Dow Jones Industrial Average surging 17.8% over the next quarter, its strongest quarter since 1987, and the S&P 500 soaring nearly 20%, its best quarterly gain since 1998. Unfortunately, the extraordinary response by central banks and governments led to 70-year-high levels of sovereign indebtedness, which economies and markets must now find ways to unwind.

Two years ago we positioned the Sygnia portfolios for what we saw as the “Japanification” of global markets, exemplified by Japan’s experience thirty years ago, when low inflation, low interest rates and declining demographics led to high debt levels, low growth and increased volatility. Europe entered a similar stage about a decade ago, but the US and China were not expected to enter such a state for some time. Covid-19 accelerated the process, however, and it has become the new normal that investors must now navigate. Interest rates in the US are close to zero and, with US\$7 trillion in projected fiscal stimulus, debt levels in the US now stand at above US\$25 trillion.

South Africa continues to lag global markets in the wake of the pandemic, with the FTSE/JSE SWIX Index the worst-performing market in US dollar terms for the year-to-date to 30 September 2020. For the 12 months to 30 September, the FTSE/JSE SWIX returned -2.2%, while the MSCI World Index returned 21.6% (in rand terms), reflecting our economy’s continued fall from grace with global investors.

South Africa lost its final investment grade rating on the same day that the country entered lockdown, when Fitch downgraded the country to junk status, causing South Africa’s exclusion from the influential World Government Bond Index and leading foreigners to sell down their holdings in South African bonds. Where foreigners once held close to 43% of our government debt, today that stands below 30%, despite South Africa providing some of the highest real yields in the world. Global investors have increasing concerns about South Africa becoming a “failed state”, where debt levels reach unsustainable levels and the government runs out of options to repay interest due on loans.

Unless the South African government can convince global investors that they have a plan to manage their way out of this situation and to generate growth, the downward spiral will snowball and lead to social unrest. Global investors will demand higher rates of return to loan money to South Africa, and South Africa will in turn have to borrow ever increasing amounts to repay interest on the debt due. Spending needs for social programmes will also increase due to rising unemployment, stressed schooling and health systems and electricity generation.

We do not believe South Africa is at the point of becoming a failed state just yet, but we are in the final minutes of the game, and there is now no room for error or equivocation. Without growth, South Africa will remain mired in a debt crisis, with the inevitable result being a trip to the International Monetary Fund and the unpalatable austerity measures they will attach to any loans given. A strong social compact is in the making between labour, business and government, which could pave the way to success. But if South Africa is to avoid a debt trap, it must throw off the shackles of corruption and commit to doing what is right. The well-published pension-public-private partnership model is an example of a new era of growth. In short, while we recognise that the South African economy is on a precipice, it can still step back by cutting spending, investing for growth and creating the jobs that will help the nation fulfil the potential we know it possesses.

/ Chief executive officer's report

A number of positive catalysts have raised the prospects for global growth in 2021, including the Biden presidency, the 14th Chinese 5 year plan, a weaker dollar and the successful phase 3 trials of a number of vaccines. As a small open commodity producing economy, South Africa is geared to global growth, particularly in China, and these improved prospects offer a glimmer of hope for 2021.

Conclusion

While 2020 has challenged South African investors like never before, and we are left wondering what permanent mark the coronavirus crisis will leave on the world, we are confident the global economy will emerge from the pandemic. And we are confident that Sygnia is well positioned to continue along its growth path.

We salute the courage and efforts of all the front-line workers who continue to put their lives on the line to keep their fellow citizens safe and healthy during the pandemic.

We are also proud of how Sygnia has managed its relationships and portfolios through this globally challenging period and of what we achieved in the 2020 financial year. We could not have done so well without the considerable and remarkable effort of the senior management team and the always committed and hardworking Sygnia staff, as well as the guidance of our fellow board members. Thank you all for your efforts.

And finally, we extend our appreciation to all our clients for their unwavering support over the past year, and we wish them the very best for the challenges that shook the world this year, and for those still to come.



Magda Wierzycka
Chief Executive Officer



David Hufton
Chief Executive Officer

Business overview

Sygnia's business philosophy is underpinned by its vision to turn ordinary savers into extraordinary investors.

Sygnia believes:

- in empowering investors to make informed decisions through financial education;
- in championing fee transparency, rigorous regulatory oversight and down-the-line accountability;
- in reducing the cost of saving and investing for all South Africans;
- in welcoming investors from all walks of life and treating everyone fairly and with care and respect;
- in fair, honest and ethical business practices, and conducts itself accordingly;
- in placing its clients' interests first, offering products and services designed to meet their needs and expectations, delivering an exceptional service at all times by employing experienced and committed staff;
- in providing its shareholders with a superior long-term return on their investment;
- that cost is one of the most significant components in determining the ultimate investment outcome for most investors;
- that technology should be harnessed to provide a superior client experience and to lower costs;
- that appropriate asset allocation and global diversification are key to a winning investment strategy; and
- that constructive, ongoing engagement with its stakeholders is essential to its future success.

Sygnia offers:

- the lowest-cost savings and investment products in South Africa to both retail and institutional investors;
- full transparency of all fees and charges;
- simplicity, convenience and accessibility;
- the most innovative products in South Africa, supported by industry-leading technology; and
- the widest range of international funds to domestic investors.

Business model

Sygnia is a specialist financial services group based in South Africa and listed on the main board of the JSE and on the A2X exchange. The Group focuses on the provision of investment management and administration solutions to institutional and retail clients located predominantly in South Africa.

The main investment services offered by Sygnia include domestic and international multi-manager and index-tracking funds, customised investment strategy design and management, transition management and investment administration services. In terms of access channels, Sygnia offers institutional investors direct access, unitised pooled portfolios and umbrella funds. On the retail front, Sygnia offers unit trusts and JSE-listed exchange traded funds, accessible via Sygnia's LISP platform, and a comprehensive range of savings products. The retail distribution strategy is supplemented by the provision of investment planning advice through the Sygnia RoboAdvisor.

Sygnia's operations date back to 2003, when the founding shareholders of Sygnia started one of the first funds-of-South-African-hedge-funds operations in South Africa and began developing systems suited to the administration of multi-manager investment portfolio structures. In the same year, both companies were acquired by African Harvest Proprietary Limited ("African Harvest") and Magda Wierzycka was appointed CEO of African Harvest. In 2006, the African Harvest group was broken up into two parts, with the active asset management business units being sold to Cadiz Proprietary Limited and the passive asset management, multi-management, funds of hedge funds and software development divisions being sold to the original founding shareholders, including Magda Wierzycka. The latter companies were rebranded as Sygnia and commenced operating under the Sygnia brand name on 1 November 2006.

Sygnia entered the institutional market with R2 billion in assets under management in multi-manager funds, managed on behalf of a small number of retirement funds. Since then, it has grown to manage and administer R251.8 billion, as at 30 September 2020, on behalf of both institutional and retail investors.

/ Business overview

Innovation and market disruption have been central to Sygnia's business strategy since its inception. Sygnia entered the institutional market by reinventing the "multi-manager" proposition: instead of offering standard "off-the-shelf" solutions, Sygnia offered clients the opportunity to customise their investment strategies while enjoying the benefits offered by a full-service multi-manager administration platform, and to do so more cost effectively than traditional multi-managers. These services, underpinned by Sygnia's leading-edge proprietary investment administration platform, were followed by the launch of Sygnia's own range of institutional multi-manager funds to compete with other multi-managers.

Since 2006, Sygnia's multi-manager approach has blended index-tracking and actively managed funds in its Signature Funds. The actively managed strategies are outsourced to third-party asset managers selected by Sygnia, while most of the passively managed strategies are managed by Sygnia. In 2012, the company launched its index-tracking funds as a stand-alone proposition, including the first South African risk-profiled multi-asset-class "balanced" fund range managed on a passive basis, the Sygnia Skeleton Funds. Both fund ranges are highly suited to the retirement savings needs of both institutional and retail investors, where compliance with regulatory limits is a requirement.

In 2012, Sygnia expanded into the retail market by launching a range of multi-manager unit trusts under the licence of Sygnia Collective Investments. In 2013, it supplemented its retail offering by launching the Sygnia LISP platform, offering clients access to a full suite of savings products. It also supplemented its multi-manager unit trust range with a range of balanced and specialist passively managed unit trusts. All of Sygnia's index-tracking funds were launched at an all-in fee of 0.40% per annum (inclusive of VAT). The Sygnia Skeleton Balanced Funds became the first balanced, passively managed unit trusts in South Africa and the most cost-effective form of saving for retirement in the country.

In 2014, Sygnia launched Sygnia Securities, an execution-only stockbroking firm, to support its growing index-tracking business, as well as to provide backing to the transition management requirements of Sygnia's expanding client base.

In 2016, Sygnia acquired the Gallet employee benefits group to fast-track its entry into the umbrella retirement funds market. In May of that year, the Sygnia Umbrella Retirement Fund (SURF) was launched as the most revolutionary umbrella fund proposition for employers in the country, in terms of both its leading-edge benefit design and its pricing, which is generally half that of its major competitors. Within four years, SURF has grown to be the sixth largest umbrella fund in South Africa.

Sygnia also launched the Sygnia RoboAdvisor in 2016, the first comprehensive Internet-based financial planning tool in South Africa. The Sygnia RoboAdvisor offers free financial planning advice, leading potential investors to appropriate mixes of Sygnia-managed passive investment solutions.

In 2017, Sygnia acquired db X-trackers (RF) Proprietary Limited ("DBX") from Deutsche Bank and renamed it Sygnia Itrix. This acquisition made Sygnia the largest provider of international ETFs in South Africa, providing an excellent opportunity to build on its strong reputation and established retail and institutional client base. The acquisition placed Sygnia in a favourable position to market well-structured international index-tracking funds to its new and existing clients. Sygnia's LISP was also expanded to offer ETFs.

In 2018, Sygnia listed on the A2X exchange, and in 2019, Sygnia expanded internationally by opening an office in London, UK. The process of launching offshore funds that will be of interest to South African investors is underway.

During 2020, Sygnia launched two innovative environmental, social and governance (ESG) themed funds. The Sygnia Oxford Sciences Innovation Fund offers investors access to the commercialisation of the intellectual property within the University of Oxford in the fields of, among others, biosciences, healthcare, and clean energy. The Sygnia Health Innovation Global Equity Fund invests in opportunities to reinvent healthcare provision to improve the quality of life for all, investing primarily in listed global healthcare companies that pass an ESG screening process.

Sygnia has grown as a result of its strong relationships with many employee-benefits consulting firms in South Africa, as well as with select financial advisory businesses. Since inception, it has offered its clients flexible administration, superior investment performance, transparent charges, cost efficiencies, sophisticated analytical tools and excellent client service.

/ Business overview

Sygnia prides itself on being an innovator and a market disruptor in the South African financial services industry. The company views the retention of its culture and its strong entrepreneurial flair as a prerequisite for achieving its business objectives.

Institutional business

Sygnia provides the following services to institutional clients:

Multi-manager investment funds

Sygnia multi-manager funds blend passive and actively managed investment strategies. Passively managed strategies are largely managed in-house, while the actively managed components are outsourced to a range of third-party asset managers. Pooled investment funds include risk-profiled balanced strategies and specialist strategies.

Index-tracking investment funds

Sygnia offers institutional clients passively managed domestic and international investment funds. These funds include risk-profiled global multi-asset-class or balanced strategies as well as specialist strategies and are offered as pooled products and as segregated client-specific accounts.

Customised multi-management

Sygnia offers institutional clients the option of designing their own investment strategies according to the risk profile and requirements of their membership. Sygnia assists in the process of designing such strategies and implements, manages and administers such strategies as if they were stand-alone multi-manager funds.

Treasury services

Treasury services offered by Sygnia include scrip lending and foreign exchange transacting.

Umbrella retirement funds

Sygnia offers employers access to both pension and provident umbrella funds, with in-fund preservation and annuitisation underpinned by its institutional investment funds. The standard umbrella funds are offered at a single all-in fee, with no additional administration fees, making it the most cost-effective proposition in South Africa at a time when costs have come under an increasing level of customer and regulatory scrutiny. Apart from the continuing trend of stand-alone funds moving into umbrella fund arrangements, many employers regularly review their existing umbrella fund participation, which means that there is a vibrant “second-hand” market within the umbrella fund industry.

Transition management

A combination of Sygnia’s leading-edge investment administration systems and stockbroking services means that Sygnia can facilitate and manage transitions implemented by institutional clients, as well as offer hedging and other structured finance transactions.

Investment administration

Stand-alone investment administration services include:

- Multi-tier unitisation services
- Monthly administration reporting
- Provision of consolidated financial accounting information
- Monitoring of compliance with mandates and legislation

/ Business overview

- Regulatory reporting
- Performance and risk reporting
- Asset liability modelling

Retail business

Sygnia provides the following savings products to retail clients:

- Retirement annuities
- Living annuities
- Preservation pension and provident funds
- Tax-free savings accounts
- Direct unit trust investments

The Sygnia LISP platform also offers direct investors access to Sygnia's unit trusts and Sygnia Itrix exchange traded funds, as well as to a comprehensive range of third-party unit trusts, exchange traded funds and exchange traded notes managed by external asset managers.

The Sygnia managed multi-manager and index tracking investment options mirror the domestic and international options offered to institutional clients.

Sygnia also offers investment planning advice via its digital financial planning tool, the Sygnia RoboAdvisor.

Funds range

Institutional funds

Sygnia offers the following investment funds to institutional clients:

Risk profile	Multi-manager funds	Passively managed funds
High risk	Signature 70 Fund	Skeleton 70 Fund
	Synergy 70 Fund	
Moderate risk	Signature 60 Fund	Skeleton 60 Fund
	Synergy 60 Fund	
Moderate to low risk	Signature 50 Fund	Skeleton 50 Fund
	Synergy 50 Fund	
Low risk	Signature 40 Fund	Skeleton 40 Fund
	Synergy 40 Fund	

In addition, Sygnia can customise funds to institutional clients' requirements.

/ Business overview

Retail funds

Sygnia offers the following investment funds to retail clients:

Risk Profile	Multi-Manager Funds	Passively Managed Funds	Index-Tracking Funds	Single Manager Funds
High risk	Sygnia Equity Fund	Sygnia Skeleton International Equity Fund of Funds	Sygnia SWIX Index Fund	Sygnia 4th Industrial Revolution Global Equity Fund
		Sygnia Skeleton Global Equity Fund	Sygnia Top 40 Index Fund	Sygnia FAANG Plus Equity Fund
			Sygnia Listed Property Index Fund	Sygnia Berkshire Hathaway Fund (life policy)
			Sygnia DIVI Index Fund	Sygnia Health Innovation Global Equity Fund
Medium to high risk	Sygnia CPI +6% Fund	Sygnia Skeleton Balanced 70 Fund		
	Sygnia International Flexible Fund of Funds	Sygnia Skeleton Global 70 Fund		
		Sygnia Skeleton Worldwide Flexible Fund		
Medium risk	Sygnia CPI +4% Fund	Sygnia Skeleton Balanced 60 Fund		
		Sygnia Skeleton Global 50 Fund		
Low to medium risk	Sygnia Enhanced Income Fund		Sygnia All Bond Index Fund	Sygnia Enhanced All Bond
Low risk	Sygnia CPI +2% Fund	Sygnia Skeleton Balanced 40 Fund		Sygnia Money Market Fund
		Sygnia Skeleton Global 30 Fund		
		Sygnia Skeleton Global Cash Fund		

Key competitive advantages

Among the key determinants of Sygnia's success – and its main competitive advantages – are that:

- The management team has a wealth of experience in the field of asset management and retirement fund consulting and has a deep understanding of the institutional and retail markets in South Africa.
- The management team has a successful track record of organically building entrepreneurial businesses and creating shareholder value.
- Sygnia is the lowest-cost provider of savings and investment products in South Africa.
- Sygnia's proprietary multi-manager administration system is a market leader in South Africa and makes Sygnia's services and operations highly scalable.
- The Group has built up a strong reputation of offering client service excellence, strong performance, transparency and fairness of costs and charges. The culture of putting the customer first is engrained in the way Sygnia operates.
- The Group has long-standing relationships with many leading employee-benefits consulting, investment consulting and financial advisory businesses in South Africa, which will support future institutional and retail growth.
- Sygnia prioritises technological innovation by using leading-edge systems to underpin its service offering.
- Sygnia is well-positioned to take advantage of the changing regulatory dynamics, which focus on cost of access to financial services.
- Sygnia has a reputation for being an innovative market disruptor within the financial services industry in South Africa. A desire to innovate through well-considered, unconventional and contrarian business strategies drives the vision of the business.
- The Group has a growing revenue base and is a highly cash-generative business.

Corporate vision

Sygnia aims to be the most innovative financial services company in South Africa. A combination of low fees, top investment performance, original products and exponentially evolving technology has seen Sygnia continue to grow its assets under management and administration despite highly volatile market conditions. These four pillars continue to underpin future growth.

The Group focuses on disruptive business strategies and vertical integration of all operations to ensure that it can control its pricing strategies at all times, while offering best value propositions to investors.

Sygnia's strategic focus on growth has been supported by strong PR and digital marketing campaigns.

Although the Group may acquire complementary businesses to enter certain sectors of the market faster and to build scale, organic growth remains central to its continued success.

Customer education

Sygnia believes that one of the drivers of future success will be broader market awareness of the impact of fees and costs on the ultimate savings benefits enjoyed by investors. In addition, satisfactory savings outcomes will only be achieved if the same investors select appropriate savings vehicles at appropriate times. Sygnia continues to be committed to educating the general consumer about all aspects of saving and investing; this education happens through digital platforms, radio programmes, webinars, thought leadership presentations, participation in conferences and specific client functions organised by Sygnia.

Stakeholders

Sygnia views clear and transparent communication with all its stakeholders as vital to building sustainable and constructive long-term relationships. In preparing the 2020 Integrated Report, Sygnia aimed to identify and report on all matters that are material to its stakeholders, where materiality is defined as any matter that can affect short-, medium- and long-term value creation by the Group.

The company's key stakeholders include:

- Shareholders
- Institutional clients and intermediaries
- Retail clients and intermediaries
- Staff members
- Regulatory bodies

Stakeholder	Expectations	Stakeholder engagement in 2020
Shareholders	<ul style="list-style-type: none"> › Business sustainability › Appropriate return on capital › Sound corporate governance, compliance and risk management › Clear growth path › Good corporate citizenship 	<ul style="list-style-type: none"> › Individual and group meetings with institutional investors › Annual general meeting › Investor conference presentations › SENS announcements › Shareholders' section on the website › Annual financial statements › Integrated Report › Clear and transparent policies and procedures, including those relating to environmental, social and corporate governance ("ESG"), corporate social initiatives ("CSI"), ethics and transformation
Institutional clients and intermediaries <ul style="list-style-type: none"> › Retirement funds › Umbrella fund participating employers › Life insurance companies › Third-party multi-managers › Third-party unit trust management companies › Trusts › Investment consultants/advisors 	<ul style="list-style-type: none"> › Provision of appropriate investment and savings products to meet evolving needs › Client service excellence › Administration accuracy › Regular and clear communication › Reasonability of costs › Security of assets › Adoption of the principles of Treating Customers Fairly framework 	<ul style="list-style-type: none"> › Dedicated client service team of well-trained investment and employee benefit professionals › Regular client meetings and operational due diligence exercises › Quarterly report-back presentations › Monthly administration reports, investment reports and fund fact sheets › Quarterly regulatory reporting › Access to daily investment and performance data via the Sygnia Platinum Light portal › Monthly economic and market commentary › Institutional investor website (www.sygnia.co.za), which includes comprehensive product descriptions and monthly performance reports › Formal client complaints procedure

/ Business overview

Stakeholder	Expectations	Stakeholder engagement in 2020
Retail clients and intermediaries	<ul style="list-style-type: none"> › Access to an appropriate range of savings products › Client service excellence › Administration accuracy › Regular and clear communication › Ease of transacting › Access to financial planning advice › Reasonability of costs › Security of assets › Adoption of the principles of Treating Customers Fairly framework 	<ul style="list-style-type: none"> › Dedicated client service and business development teams › Client Relationship Management call centre › Quarterly investment reports › Monthly economic and market commentary › Access to daily investment and performance data via the Sygnia Alchemy portal › Sophisticated transacting functionality available via Sygnia Alchemy › Dedicated advisor functionality within Sygnia Alchemy, which allows for bulk information retrieval and transacting › Access to free investment planning advice via the Sygnia RoboAdvisor digital financial planning tool › Retail investor website (www.sygnia.co.za), which includes comprehensive product descriptions, marketing documentation and monthly fund fact sheets › Formal client complaints procedure
Staff members	<ul style="list-style-type: none"> › Market-related remuneration › Performance recognition › Ongoing development and training › Career progression › Job security › Comfortable working environment › Alignment of values › Alignment of ethical and social standards 	<ul style="list-style-type: none"> › Market-related remuneration › Opportunity to qualify for an annual performance-based bonus › Direct shareholding options and share option schemes available to key staff members › Broad-based BEE staff scheme for eligible staff members › Ongoing internal training and development › External training opportunities › Financial support for approved study courses and regulatory exams › Performance management scorecards and appraisals › Team-building activities, company functions and other sponsored events › Presentations by CEO to staff on strategy and results › Clearly articulated codes of conduct, ethical standards and governance and risk policies › Transparent and staff-inclusive ESG and CSI policies and practices › Financial support of vulnerable employees during lockdown › Work from home arrangements during pandemic

/ Business overview

Stakeholder	Expectations	Stakeholder engagement in 2020
Regulatory bodies	<ul style="list-style-type: none"> › Regulatory compliance across all aspects of the Group › Transparency › Active engagement with regulators on an ongoing basis › Provision of commentary on proposed regulatory changes 	<ul style="list-style-type: none"> › On-site visits by the regulators › Ongoing reporting to the regulators › Ad hoc discussions and engagement based on an open and transparent relationship with the regulators › Participation in industry bodies, including ASISA, SAICA and ASSA › Provision of commentary on draft legislation
› Financial Sector Conduct Authority		
› South African Revenue Service		
› Financial Intelligence Centre		
› National Treasury		
› Johannesburg Stock Exchange		
› South African Reserve Bank		

Business performance

Overview

The Group's performance can be evaluated based on six core criteria:

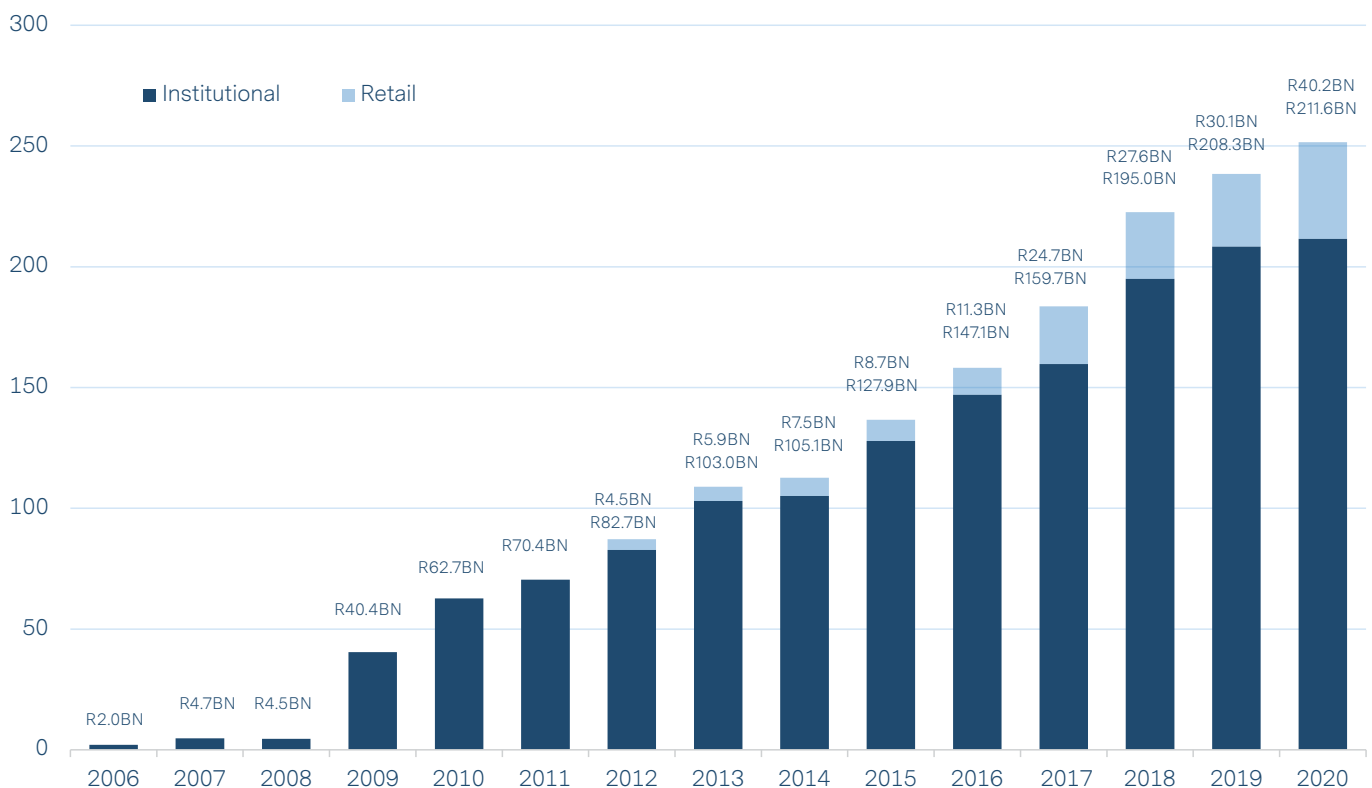
- Assets under management and administration
- Investment performance
- Client service
- Governance
- Staff satisfaction
- Shareholder value

These criteria inform all of Sygnia's long-term and short-term business strategies.

Assets under management and administration

Sygnia's revenue is predominantly linked to its assets under management and administration, and the Group is reliant on both market movements and new business inflows for growth. Sygnia's assets under management and administration increased by 5.6% to R251.8 billion over the 12 months to end September 2020 (2019: R238.4 billion). The institutional assets under management and administration increased by 1.6% to R211.6 billion (2019: R208.3 billion), while retail assets under management rose by 33.6% to R40.2 billion (2019: R30.1 billion).

Growth in assets under management and administration



Investment performance

Of our flagship risk-profiled multi-manager funds, the Sygnia Signature 40 fund ranked first in terms of returns over one, three, seven and ten years and ranked second over five years in the Alexander Forbes Multi-Manager Watch™ Survey to the end of September 2020. The Sygnia Signature 50, 60 and 70 funds ranked first over the one-, three-, five-, seven- and ten-year periods in terms of returns in their respective risk categories.

Sygnia Signature range forms the efficient frontier in peer group surveys

Seven-year risk and return scatterplot to 30 September 2020

Source: Alexander Forbes Multi-Manager Watch™ Survey, Alexander Forbes Global Large Manager Watch™ Survey and published data



/ Business performance

Retail highlights:

Most of Sygnia's unit trusts feature in the first quartile in terms of peer group performance comparisons in their respective categories.

- **The Sygnia Skeleton Balanced 70 Fund**, a passively managed high-equity multi-asset-class unit trust, ranked 10th out of 87 unit trusts*, most of them actively managed, in the South African – Multi-Asset – High Equity category from its inception in October 2013 to September 2020.
- **The Sygnia Skeleton Balanced 60 Fund**, a passively managed medium-equity multi-asset-class unit trust, ranked 2nd out of 53 unit trusts*, most of them actively managed, in the South African – Multi-Asset – Medium Equity category from its inception in May 2014 to September 2020.
- **The Sygnia Skeleton Balanced 40 Fund**, a passively managed low-equity multi-asset-class unit trust, ranked 2nd out of 74 unit trusts*, most of them actively managed, in the South African – Multi-Asset – Low Equity category from its inception in March 2014 to September 2020.
- **The Sygnia Top 40 Index Fund**, a passively managed equity unit trust, ranked 5th out of 10 unit trusts*, most of them actively managed, in the South African – Equity – Large Cap category from its inception in November 2013 to September 2020.
- **The Sygnia CPI + 2% Fund**, an actively managed low-equity multi-asset-class unit trust, ranked 6th out of 67 unit trusts* in the South African – Multi-Asset – Low Equity category from its inception in August 2012 to September 2020.
- **The Sygnia CPI + 4% Fund**, an actively managed medium-equity multi-asset-class unit trust, ranked 2nd out of 41 unit trusts* in the South African – Multi-Asset – Medium Equity category from its inception in August 2012 to September 2020.
- **The Sygnia CPI + 6% Fund**, an actively managed high-equity multi-asset-class unit trust, ranked 9th out of 77 unit trusts* in the South African – Multi-Asset – High Equity category from its inception in August 2012 to September 2020.
- **The Sygnia International Flexible Fund of Funds**, an actively managed global multi-asset unit trust, ranked 2nd out of 16 unit trusts* in the Global – Multi Asset – Flexible category from its inception in June 2014 to September 2020.
- **The Sygnia 4th Industrial Revolution Global Equity Fund**, a passively managed global equity unit trust, ranked 3rd out of 44 unit trusts* in the Global – Equity – General category from its inception in October 2016 to September 2020.
- **The Sygnia FAANG Plus Global Equity Fund**, a passively managed global equity unit trust, ranked 3rd out of 54 unit trusts*, in the Global – Equity – General category since its inception in August 2018 to September 2020.

*Source: MoneyMate

Client service

Sygnia recognises that the key to its past and future success is securing new clients and retaining existing clients. Consequently, it strives to build a client-centric culture across the Group. Client service excellence is prioritised and embedded in every aspect of its interaction with external stakeholders. Dedicated retail and institutional client service teams are staffed by professionals who are put through extensive training prior to servicing clients.

In the world of technology evolution, Sygnia is ahead of its peers in the financial services industry by offering its clients daily access to information on their investment strategies and performance. The leading-edge Internet-based systems Sygnia Platinum Light and Sygnia Alchemy are essential components in the provision of these services. Both systems include an array of functionality that enables clients to evaluate their investments online and helps them to make informed investment decisions.

Considerable attention has also gone into SURF functionality that allows members to access their fund-credit information proactively instead of being dependent on infrequent benefit statements.

Development of the online platforms is ongoing and is based on feedback received from clients and financial intermediaries.

Sygnia's report-back presentations and monthly investment publications and, in particular, its simple and clear macroeconomic analysis have become a very popular source of information for many of Sygnia's clients. The number of requests for these presentations grows every year, with many clients and intermediaries using the analysis as a basis for their own decision-making and advice.

Governance

Sygnia has a rigorous corporate governance framework in place, headed by its unitary board and a number of board committees, all of which are supported by the appointment of independent assurance providers.

Responsibility for the maintenance of the corporate governance framework rests with the board, supported by the Group's risk, legal, company secretarial and compliance departments and advice provided by external risk, legal, regulatory and compliance experts.

Risk management follows an integrated approach and is well entrenched in the operations of the Group.

No issues were identified in 2020 that could expose the business to any material actual or contingent risk. The board is of the opinion that the Group has applied all significant governance principles.

Staff satisfaction

Sygnia's key asset is its people, who, with the expertise, experience and vision of the management team, will lead the business into the future. Commitment, involvement, teamwork and excellence govern all the services delivered by the company to its clients and other stakeholders.

Sygnia employs a staff complement of 248 (2019: 226). The growth in staff numbers has been steady and continues to specifically bolster the capacity and capability of the employee benefits and retail areas of the Group. The scalability of the business infrastructure and a strong focus on training allows for the quick integration of new staff, and Sygnia maintains an uncompromising focus to ensure that all its staff share Sygnia's passion and values. Sygnia maintains a relatively flat management structure, although the growth of the business has dictated more rigour in the manner in which divisions are managed and evaluated. The human resources team has also been strengthened to manage the growth in staff numbers, and there has been a continual roll-out of initiatives, which include performance management, wellness evaluations and staff integration mechanisms.

Transformation and gender equality are part of the fabric of the Group, with a strong focus on attracting and promoting talented individuals from diverse backgrounds. Staff retention is critical to the success of the business.

For further details on human capital, please refer to page 48.

Shareholder value

Sygnia has grown from a start-up in 2006 to a group with R251.8 billion in assets under management and administration as at 30 September 2020. Sygnia Limited listed on the main board of the JSE on 14 October 2015. Management and staff own 70% of the shares, which demonstrates their commitment to the long-term success and growth of the business and corresponding shareholder value creation.

Future growth strategies

Sygnia has a strong culture of innovation and entrepreneurship, which over the past 14 years has led to exponential growth in the services it offers and the clients it attracts across South Africa. This same culture will drive the Group going forward. The Group's operational and systems infrastructure has proven its scalability and is an excellent foundation for the future growth areas described below. Sygnia will continue to focus on growing its footprint in South Africa. Its low-cost savings and investment products proposition and top investment performance, its focus on leading-edge technologies, and its flexibility in customising solutions for investors have positioned the Group to benefit from the many regulatory changes introduced in recent years, as well as from a growing awareness among investors of how high fees affect their investment outcomes.

Institutional multi-manager business

Sygnia's institutional investment performance has been consistently strong, with the flagship Signature range of multi-managed funds the top performer across virtually every time frame and risk profile of well-known monthly performance surveys. Sygnia is recognised as a leading multi-manager in South Africa, and its consistent superior performance ensures the continued support of several large employee benefits consulting companies and the many other established distribution channels.

Institutional investment administration/platform business

Sygnia's investment administration services set it apart from its competitors in the financial services industry due to its unique technology, which enables the Group to offer excellent value-for-money administration of complex multi-manager strategies to new and existing institutional clients. The Group is thus well placed to take advantage of the growing demand for platform services among large institutional investors, including parastatals, municipalities and umbrella funds. Despite being a low-margin business, this gives Sygnia an opportunity to expose large retirement funds to its other services.

Index tracking

Sygnia has a 17-year performance track record managing specialist index-tracking funds and has the longest South African track record managing risk-profiled multi-asset-class and international index-tracking funds. The Group will continue to offer superior service to harness the growing demand among institutional and retail investors for low-cost passive investment solutions. Demand for local and international index-tracking strategies is expected to grow exponentially in South Africa, especially as a result of the Default Regulation that obliges boards of trustees of retirement funds to consider passive strategies, and of the ASISA Standards in respect of the disclosure of total expense ratios and transaction costs, which came into effect for retail investors in 2016 and for institutional investors in 2019.

Exchange traded funds

Sygnia is the second-largest provider of ETFs listed on the JSE, as well as being the largest South African provider of international ETFs, with a 14-year performance track record. The Sygnia Itrix fund range offers a trusted, transparent and flexible way for South Africans to invest in overseas and domestic stock markets, and these ETFs provide an enhanced suite of funds across various indices. Sygnia has enlisted the services of Jane Street, one of the largest ETF market-makers in the world, to provide liquidity on the JSE through their tight bid-offer spreads, which lower the cost of access for investors. Sygnia's tracking errors are among the lowest in the industry, a testament to Sygnia's experience in managing index-tracking strategies. The Sygnia Itrix ETFs referencing foreign assets continue to benefit from the weak demand for domestic stocks and retail investors' desire to diversify their currency risk away from the rand. They also serve as an easy offshore access point for institutional investors. For Sygnia, the fund suite ensures that it earns a substantial portion of revenue in foreign currency, which provides diversification from rand-based revenue.

/Future growth strategies

Retail multi-manager business

Sygnia's multi-manager unit trusts continue to enjoy the support of a large group of independent financial advisors due to the unit trusts' superior investment performance, the cost effectiveness of the proposition and appropriate investment objectives. Sygnia's penetration of the independent financial advisory market has increased from year to year, but opportunity for significant additional growth remains.

Retail investment platform

Sygnia's LISP platform remains a strategic priority and the method through which it intends to leverage its retail offering. To that end, Sygnia decided two years ago to outsource platform provision to one of the world's leading service providers in that area. Despite being well advanced, the project has suffered numerous delays on the part of the provider, and it is doubtful whether the new platform will launch in the first half of the new financial year. While we continue to closely manage and monitor the project, its delay has not detracted from our ability to meet the needs of an ever-growing number of investors and advisers using the existing Sygnia platform.

Sygnia Employee Benefits

The Sygnia Umbrella Retirement Fund (SURF) offers significant opportunity for growth as consolidation among stand-alone funds continues, underpinned by an increasing regulatory burden placed on boards of trustees in a concerted effort by the National Treasury to reduce the number of stand-alone retirement funds to 200. At the same time, the enhanced cost disclosure requirements that came into force on 1 March 2019 serve as a great boost to SURF, which is the most cost-effective umbrella fund arrangement in South Africa. SURF offers both passive and multi-manager investment options, seamless preservation and annuitisation for leaving or retiring members and the unique Sygnia ForLife annuity option, which marries the benefits of investment decision-making control while insuring against longevity risk. Four years after launch, SURF is already the sixth-largest umbrella fund offering in South Africa; however, it remains small relative to competitors, with significant scope for future expansion.

Sygnia Securities

Sygnia Securities continues to support Sygnia's index-tracking funds (including ETFs) and transition management services. The additional scrip lending and foreign exchange transacting services introduced two years ago are well employed within the Sygnia product mix and have potential application across the Group's large investment administration client-base.

Product innovation

Since inception, Sygnia has positioned as an innovative financial services group, always looking for new opportunities through which to create value for its investors. The Sygnia 4th Industrial Revolution Global Equity Fund, launched in 2016, has delivered a return of over 23.7% per annum since inception, and the Sygnia FAANG Plus Equity Fund, launched in 2018 to give investors access to the world's largest technology companies, has returned 26.2% per annum since inception. In 2019, Sygnia added the Sygnia Berkshire Hathaway Fund to its product range, which has delivered 16.9%, as well as the Sygnia Oxford Sciences Innovation Fund, which offers investors access to the commercialisation of the intellectual property within the University of Oxford in the fields of biosciences, healthcare and clean energy, among others. Continuing with the ESG theme, the Sygnia Health Innovation Global Equity Fund was launched in 2020, investing primarily in listed global healthcare companies that pass an ESG screening process. These innovative funds have been well received by the investor community and are expected to continue to attract much interest.

/Future growth strategies

International expansion

Sygnia opened an office in the UK in 2019, and its initial focus on launching funds aimed at South African retail and institutional investors is underway. Strategic product design has been aimed at building up a performance track record in niche areas, which should enable Sygnia to market the funds to an international audience in due course.

Regulatory changes in Sygnia's favour

The 2019 Default Regulations governing retirement funds continue to present an opportunity for Sygnia. All retirement funds must now consider passive investment options in their design and review of member default investment strategies and must ensure that those strategies offer value for money. Sygnia's house view fund ranges – Sygnia Signature and Sygnia Skeleton – are ideally placed to meet the default strategy requirements. In addition, given its retail administration platforms and products, Sygnia is well positioned to offer a seamless transition into the same-cost savings funds to members of retirement funds when leaving employment or retiring. The ASISA Standard: Retirement Savings Cost ("RSC") Disclosure came into effect on 1 September 2019 and sets out the minimum standards for fee and expense disclosure by commercial umbrella funds at a participating employer level. Commercial umbrella funds also have until 31 March 2021 to disclose all costs at a member level in terms of the ASISA Retirement Fund Standard: Effective Annual Cost ("EAC") For Individual Fund Members, which came into effect on 1 October 2020 and aligns with the EAC disclosure for retail investors required since 2016 .

The increased level of disclosure is onerous for many but is nothing new for Sygnia. As the lowest-cost savings product provider in South Africa, the Group has long been at the forefront of fee disclosures and expects to benefit from these improved and standardised levels of transparency in the investment industry.

Corporate governance

Sygnia subscribes to ethical leadership, business sustainability, stakeholder inclusivity and the sound values of good corporate governance, integrity and ethical behaviour. The board of directors has established processes and policies appropriate for Sygnia to ensure that the Group applies the principles outlined by King IV. The board of directors confirms the implementation of the King Code through the application of the King Code disclosure and application regime. The board of directors further confirms that Sygnia complies with relevant legislation and is operating in conformity with its Memorandum of Incorporation.

Board of directors

In compliance with the recommendations of King IV, Sygnia's unitary board of nine directors comprised a non-executive chairman, a lead independent non-executive director, two independent non-executive directors, two non-executive directors and three executive directors as at 30 September 2020.

The roles of chairman and chief executive officer have been separated. An approved board charter regulates the directors' obligations in respect of the Group, which ensures that no one director has unfettered power of decision making. The profiles of directors are detailed on pages 9 to 12.

Directors are identified through a formal process and must be persons with sound ethical reputations and business or professional acumen. The board must have, on an ongoing basis, an appropriate number and mix of individuals to ensure overall adequate levels of knowledge, skill and expertise at the board level commensurate with the governance structure and the nature, scale and complexity of the Group's business.

To ensure the promotion of gender and race diversity, the board's long-term aim is to ensure that at least 50% of the board of Sygnia is made up of black people, and at least 33.3% of the board of Sygnia is made up of women. This aim was achieved during the current year and, as at 30 September 2020, 55.6% of the current board members are black and 33.3% are women (one of whom is CEO and two of whom are black). The board continues its efforts to improve its gender and race diversity.

During the current year, Ms Clarissa Appana was appointed as a new independent non-executive director. Mr Kaizer Moyane resigned as a director with effect from 31 March 2020.

Mr David Hufton was promoted to CEO during the year. Mr Hufton shares the role of CEO with Ms Magda Wierzycka. The various strategic initiatives and operational responsibilities of the Company have been allocated between the two CEOs.

The board acts as the focal point for, and custodian of, corporate governance by managing its relationship with management, shareholders and other stakeholders of the Group along sound corporate governance principles. The board ensures that the Group is, and is seen to be, a responsible corporate citizen by having regard to not only the financial aspects of the business of the Group but also the impact that business operations have on the environment and the societies within which it operates. It provides strategic input to management and approves the implementation of strategic plans to create sustainable value for all stakeholders. In creating such value the board is, at all times, governed by the need for ethical conduct, business sustainability, strong corporate governance and rigorous risk management. The board has full and effective control of the Group, which is exercised through senior management and the subsidiary boards. The board selects and appoints the company secretary in recognition of the importance of this role in entrenching good corporate governance. All directors have unlimited access to the services of the company secretary, who, in turn, has access to appropriate resources in the provision of this support, such as obtaining independent professional advice on any issues that may arise.

/ Corporate governance

Mr Glen MacLachlan serves as company secretary, appointed by the board in accordance with the Companies Act and the JSE Listings Requirements. The board is satisfied as to his competence, qualifications and experience. 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.

Senior management reports to the board on the development and implementation of the Group’s strategies. The board has set up the following committees to assist in the process of monitoring the implementation of strategies and policies adopted by the board:

- Audit and Risk Committee*
- Remuneration Committee
- Social and Ethics Committee

*The Audit Committee and the Risk Committee (formerly a sub-committee of the Audit Committee) were consolidated during the year, and convened as the “Audit and Risk Committee” for the June and September quarterly meetings.

All the committees discharge their responsibilities on behalf of the company and its subsidiaries.

The board and the committees are guided by their respective committee charters. The committees rely on the management of the Group for the implementation of strategies and policies.

The composition of the board and its committees, as at 30 September 2020, is detailed below.

	Board of Directors	Audit and Risk Committee	Remuneration Committee	Social and Ethics Committee
Haroon Borat ■	Non-Executive Chairman		Member	Member
George Cavaleros ▲	Non-Executive Director	Chair		
Ropfiwa Sithubi ▲	Non-Executive Director	Member	Invitee	Chair
Clarissa Appana ▲	Non-Executive Director	Member		
Mcebisi Jonas ■	Non-Executive Director			Member
Andre Crawford-Brunt ■	Non-executive Director		Chair	
Magda Wierzycka ●	CEO	Invitee	Invitee	
Murad Sirkot ●	Financial Director	Invitee	Member	Member
David Hufton ●	CEO	Invitee	Invitee	Invitee

■ Non-Executive Director ▲ Independent Non-Executive Director ● Senior Executive

The board meets a minimum of four times a year to review and discuss the performance of the Group, any strategic issues and other matters regarded as material. Material decisions may also be taken between meetings through written resolutions, as provided for in the Memorandum of Incorporation.

/ Corporate governance

Non-executive directors receive fees for their services as directors of the board and for their services as members of committees.

The board has approved the strategic direction of the Group for 2021.

The board is responsible for the appraisal of its own performance, the performance of its committees and that of the chief executive officers. A formal board evaluation was performed in March 2020.

Board attendance

The board attendance record reflects the current financial year to 30 September 2020. Four meetings were held during the year.

	Board
Haroon Borat	75 %
George Cavaleros	100%
Ropfiwa Sithubi	100%
Kaizer Moyane*	100%
Mcebisi Jonas	100%
Magda Wierzycka	100%
Murad Sirkot	100%
David Hufton	100%
Andre Crawford-Brunt	100%
Clarissa Appana **	100%

* resigned 31 March 2020

** appointed 8 September 2020

Audit and Risk committee

The Group's Audit and Risk Committee (ARC) is chaired by the lead independent non-executive director and consists of a further two independent non-executive directors. The ARC meets four times a year, as well as on an ad hoc basis if required.

The ARC has decision-making authority in regard to its statutory duties and is accountable in this respect to both the board and the shareholders.

The ARC is required to assist the board in discharging its responsibilities as they relate to the safeguarding of assets, the operation of adequate and effective systems, controls and risk processes. These responsibilities also extend to the preparation by the executives of fairly presented financial statements and integrated reports in compliance with all applicable legal and regulatory requirements and accounting standards. The ARC is also responsible for oversight of the external and internal audit appointments and functions.

The ARC's report can be found on page 82.

The board of directors confirms that the ARC has executed its responsibilities.

Remuneration committee

The Remuneration Committee is chaired by a non-executive director and consists of one other non-executive director and the financial director. The composition of the Remuneration Committee will be reassessed as part of further enhancements towards King IV best practice. The committee meets twice a year, as well as on an ad hoc basis if required.

The role of the Remuneration Committee is to assist the board to ensure that the Group remunerates its directors and employees fairly, responsibly and transparently by, amongst other means, implementing affordable, competitive and fair reward practices in order to promote the achievement of strategic objectives.

The Remuneration Committee is responsible for ensuring that the Group recruits and retains talented management and that appropriate remuneration policies and succession plans are in place to support the strategy of the Group. The committee reviews the level of executive remuneration to ensure it is market related and competitive. It also approves the overall nature and appropriateness of benefits available to staff, including long-term incentives, annual bonuses and health and retirement benefits.

The committee may consult external experts on remuneration structures to assist it to fulfil its obligations, as well as commission external remuneration surveys.

Social and ethics committee

The Social and Ethics Committee is chaired by an independent non-executive director and consists of two other non-executive directors and one executive director. The committee meets twice a year, as well as on an ad hoc basis if required.

The Committee is constituted by the board to assist it in discharging the Group's statutory duties in terms of section 72 of the Companies Act, 2008 and Regulation 43 of the Companies Regulations 2011, as well to exercise oversight and report on organizational ethics, corporate social responsibility, transformation, sustainability and stakeholder relationships.

The committee monitors and reviews all transformation strategies designed and implemented by management. It is responsible for reviewing the annual transformation scorecard and assesses and provides feedback to the board on transformation initiatives undertaken by management. The committee complies at all times with the prevailing regulatory framework, including transformation scorecards and the Group's strategic objectives.

Risk management and compliance

Risk management

To ensure that Sygnia operates at a competitive advantage within its market, risk can be seen as both an opportunity that must be seized and a threat that must be mitigated. As risk is an unavoidable consequence of business activities, the purpose of risk management is to provide a framework within which management can operate in order to reinforce a strong risk management culture. This is crucial to the protection of stakeholders' interests, adherence to regulatory requirements and the conservation of the long-term sustainability of the business.

Risk management requires expert knowledge, independent review and monitoring and frequent communication to stakeholders. The board is ultimately responsible for ensuring that risks are managed effectively and efficiently and has delegated the responsibility for overseeing risk management to the Audit and Risk Committee, which considers the Group's risk appetite for the Board's approval. Responsibility for the design and implementation of the risk management process resides with senior management, who are responsible for compliance with the risk management framework. This function is subject to independent oversight by the Audit and Risk Committee, which ensures that consistent policies and procedures are established for measuring, managing and reporting risk.

Risk management is an ongoing process that should ensure that resources are effectively employed to minimise negative impacts within the Group's risk appetite and maximise opportunities and positive impacts.

Management is responsible for identifying the risks that face the Group, ensuring that the controls established to manage those risks are effective, and for monitoring their application. Annual risk management workshops are held with each key department to identify and measure risks in line with the approved risk measurement methodology (as defined in the risk management framework). Ongoing monitoring is performed by a dedicated risk manager, and ad hoc risk workshops are held if new business initiatives or ventures are undertaken by the Group. All risks are identified, ranked in order of impact and probability and then actively managed – being terminated, tolerated or managed through mitigating controls. The effectiveness of these controls is also assessed as part of the Combined Assurance Model. The results of all the workshops are presented to the Audit and Risk Committee and to the board.

The board is not aware of any material issues in relation to the risk management and compliance functions that have arisen in 2020. The board recognises that risk management is a continuously evolving process that must adapt to the complex financial services environment.

Risk matrix

The risk matrix, which includes the impact of COVID-19, summarises the major risks facing the Group, as well as the mitigating controls put in place to manage the identified risks.

Risk	Explanation	Management and mitigation
Market risk	<ul style="list-style-type: none"> › The risk of clients achieving poor investment performance relative to expectations, or the risk of losses to the Group's capital investments, as a result of the domestic and international financial markets' performance. 	<ul style="list-style-type: none"> › Management by the Investment Committee. › Well-established investment process and philosophy. › Expert asset managers, who apply their own processes to manage risk, are selected for multi-managed funds. › For passive funds, tracking error is closely monitored and managed. › The Group's statutory capital is only invested in approved cash and interest income securities.
Regulatory and legislative risk	<ul style="list-style-type: none"> › The risk of changes in legislation, regulation, supervisory requirements and industry codes by regulatory authorities having an adverse impact on the existing business of the Group. › The risk of non-compliance with existing regulations. › The risk of non-compliance with the requirements of emerging regulations. 	<ul style="list-style-type: none"> › A dedicated legal and compliance team monitors and assesses the impact of any legislative and regulatory changes and advises management. › Member of appropriate industry bodies to stay abreast of all industry, legislative and regulatory changes. › Ongoing engagement with the regulators. › Regular training of management and staff about new legislation. › Ongoing monitoring of all statutory capital requirements across the Group. › Internal Audit Function and Head of Actuarial Function oversight.
Operational risk	<ul style="list-style-type: none"> › The risk of errors or fraud arising as a result of breakdowns in internal control functions in respect of internal processes, systems, people or external factors. 	<ul style="list-style-type: none"> › Sygnia has automated processes that are subject to ongoing systems development. › Defined incident management process in place. › Monthly Risk Events and Compliance Committee assesses the internal controls environment, identifying areas for improvement. › The risk workshops held at departmental level are used to identify, assess and manage operational risks. Treatment plans for high-rated risks are monitored. › Internal Audit Function and Head of Actuarial Function oversight. › ISAE3402 Type II reviews. › The combined assurance model ensures ongoing assessment of the design and operating effectiveness of the control environment. › Insurance cover is in place well in excess of independently recommended or regulated amounts. › Own Risk and Solvency Assessment performed on an annual basis. › Staff whistleblowing process in place.

/ Risk management and compliance

Risk	Explanation	Management and mitigation
Loss of client risk	<ul style="list-style-type: none"> › The risk that poor client service or investment performance may result in client losses. 	<ul style="list-style-type: none"> › Adhering to the six outcomes of the Treating Customers Fairly framework. › Dedicated retail and institutional client-service teams are in place to deal with client-service-related issues and to manage relationships on a proactive basis. › Investments managed by an investment committee of experienced investment professionals who follow a structured and well-established investment process and philosophy. › Performance assessed relative to benchmark and peers. › Frequent and transparent communication with clients. › Access to daily information is provided to clients via dedicated retail and institutional internet-based platforms. › Complaints procedures and escalation policies are in place. › Clients at risk are identified and remedial action is taken.
Business development risk	<ul style="list-style-type: none"> › The risk of not growing our client base. 	<ul style="list-style-type: none"> › Dedicated business development team focused on attracting new direct clients and expanding external distribution by way of broadening and deepening relationships with third-party consulting and advisory firms. › Marketing strategy focused on enhancing brand awareness to particularly support the growth of the retail business. › Continuing to launch innovative and cost-effective products and services via the Research and Product Development Committee. › Leveraging existing client relationships to increase share of clients' investment manager allocation.
Reputational risk	<ul style="list-style-type: none"> › The risk that a decision, event or action could compromise or damage Sygnia's brand. 	<ul style="list-style-type: none"> › Adhering to the six outcomes of the Treating Customers Fairly framework. › Fit and proper policies are in place, and ongoing monitoring is performed on key individuals and representatives of the Group. › All staff are required to comply with the Group's personal account trading policy. › A policy is in place regarding all media engagement. This is actively monitored by dedicated staff. › Complaints procedures and escalation policies are in place. › Significant matters are escalated to the CEOs and the board for consideration. › Staff whistleblowing process in place.

/ Risk management and compliance

Risk	Explanation	Management and mitigation
Business continuity risk	<ul style="list-style-type: none"> › The risk that the business is unable to operate due to unforeseen events or external factors. 	<ul style="list-style-type: none"> › A comprehensive business continuity plan is in place. › Disaster recovery plans are tested bi-annually and are measured by external auditors as part of the ISAE3402 engagement. › All operational staff are IT-mobile enabled. › All client data is stored in a secure off-site location and is backed up daily. › Offices in Cape Town and Johannesburg are equipped with generators.
Cybersecurity risk	<ul style="list-style-type: none"> › Ineffective management of cyber threats may significantly disrupt core operations, cause financial/data loss and cause reputational damage. 	<ul style="list-style-type: none"> › Cyber-risk management is performed across key risk areas, i.e. people, processes and technology. This includes compliance with appropriate policies, ongoing employee awareness and employing technology to prevent and/or detect potential or actual cybersecurity threats. › Vulnerability management occurs on an ongoing basis, wherein server and desktop environments are scanned for threats, and patches are deployed as needed. › The internal audit function, in their capacity as independent subject matter experts, have performed penetration testing. The implementation of recommendations is closely monitored by the IT Steering and Audit and Risk Committees.
Human resource risk	<ul style="list-style-type: none"> › The risk of key staff leaving, which could negatively affect the business. 	<ul style="list-style-type: none"> › Sygnia's remuneration policy is designed to attract and retain skilled and experienced staff. › Retention schemes are in place, such as the B-BBEE staff scheme and share option scheme. › Key staff and management own approximately 70% of the Group. › The Group has a succession plan in place. › Ongoing skills development. › Salary benchmarking exercise ensures employees are paid market-related salaries.

/ Risk management and compliance

Assurance

A combined assurance framework has been adopted by the Group to verify the effectiveness of the controls implemented to mitigate risk. This comprises:

- Senior management
- Compliance officer and risk manager
- Internal auditors and statutory actuaries
- Risk assurance providers (ISAE3402 reporting) and external assurance provider (external auditors).

These multiple lines of assurance are in place to ensure that Sygnia's risk management framework is collectively but independently stress-tested and validated. The collaboration between the role players in a combined assurance framework provides a more complete, transparent and trustworthy view of the Group's risk profile and assurance activities to all stakeholders.

In particular, an independent internal audit function provides appropriate independent assurance to the board on the integrity and robustness of the risk management processes (performed every two years). The internal audit follows a risk-based approach to audit planning and execution. Annual risk-based internal audit plans are developed and presented for approval to the Audit and Risk Committee.

The internal audit function is outsourced to PwC. No material breakdowns in the risk management function, processes or systems were identified during the year to be brought to the attention of management or the Audit and Risk Committee.

Compliance

Sygnia is committed to complying with all relevant regulation. It is primarily accountable to the Financial Sector Conduct Authority, the South African Reserve Bank, the Johannesburg Stock Exchange and National Treasury.

The Board has committed Sygnia to compliance and recognises and accepts its responsibility to comply with both the letter and the spirit of all applicable laws. The Board has approved the establishment of an effective compliance function as part of the Group's compliance strategy.

Although the Board accepts ultimate responsibility for compliance within Sygnia, the mandate for the effective implementation of financial regulatory compliance is delegated to the Head of Legal and Compliance. It is the responsibility of the Head of Legal and Compliance, with the support of the Compliance team, to effectively implement financial regulatory compliance. The mandate for the effective implementation of non-financial regulatory compliance is delegated to the heads of the respective business units.

The roles underpinning the Compliance Function are varied but culminate in the attainment of a single objective, namely the adherence to regulatory and statutory requirements, standards and codes. Effective compliance management is the responsibility of each employee. The compliance process and responsibilities do not, however reside in any one individual or function, but requires an inclusive team-based approach for effective application across Sygnia.

The Board regards compliance as a matter of the highest priority. All employees understand that failure to comply can result in exposure of the Group to penalties and / or risk of loss of licences to conduct business in the financial services industry. Sygnia has not had any regulatory penalties, sanctions or fines for contraventions or non-compliance with regulatory obligations imposed on it, or any of its directors or officers, since its inception.

Conflicts of interest

Actual or potential conflicts of interest are inherent in the financial services industry. It is therefore essential that the Group be able to identify such conflicts and manage them fairly and appropriately. While not all potential conflicts of interest will manifest in actual conflicts, the very perception of bias can lead to a negative impression in the industry and result in reputational damage.

Sygnia's Conflicts of Interest Policy is adopted by the Board and applied throughout the Group. The policy provides guidance and mechanisms for the identification of conflicts of interest and to provide measures for the avoidance, disclosure, mitigation and/or management of such conflicts. The policy also regulates the relationship between the Sygnia Group and its employees, directors, relationship with clients, suppliers, service providers and intermediaries.

The Group's Conflicts of Interest Policy is available on Sygnia's website (www.sygnia.co.za).

Client complaints

Client satisfaction with Sygnia's products and services is a key component of client retention and of the long-term sustainability of the business.

Sygnia is committed to rendering financial services honestly, fairly, with due skill, care and diligence, and in the interests of clients and the integrity of the financial services industry. This requires a robust and transparent complaints process that ensures clients have full knowledge of the steps to resolve a complaint and that the resolution of all complaints is fair to the client, Sygnia and its staff.

A comprehensive Complaints policy and process is in place and is available on the Group's website (www.sygnia.co.za). The policy defines the process to log a complaint and the steps taken to resolve it.

Personal account investments

Policies and procedures to prevent actual or potential conflicts of interests with respect to personal account trading are critical to establishing investor confidence in the investment management and multi-management industries. Sygnia has established systems and controls to prevent conflicts of interest, prejudice towards clients, insider trading, market abuse and market manipulation.

All staff are required to comply with the Group's Personal Account trading policy to ensure that clients' interests take precedence over those of staff members and that market conduct rules are adhered to. The following restrictions apply to all staff:

- All personal account trading must be executed through Sygnia Securities, the Group's stockbroking division.
- All personal account trading is subject to prior internal authorisation and approval. No personal account trading is permitted in any security where there is an open client order, or in any other security that appears on an internal embargo list.
- Speculative trading is not permitted and a minimum holding period of 12 months applies to certain investments.

Trading in Sygnia shares is strictly regulated in terms of the JSE Listings Requirements and the Financial Markets Act, 2012. All directors and staff must obtain prior approval and clearance before trading in Sygnia shares and are prohibited from trading in Sygnia shares during closed periods. No director or employee is permitted to trade in Sygnia shares if they have obtained or been exposed to inside information of any nature. The directors and the company secretary are required to disclose their Sygnia share dealings via SENS.

Business sustainability

Sygnia recognises that the sustainability of its business lies in its ability to retain existing clients and to expand its client base. In order to achieve these objectives, it is essential that the company delivers consistent and superior investment performance, provides appropriate products and services, delivers excellent service and treats all clients fairly. Staff retention is key to all of the above.

Human and intellectual capital

Human and intellectual capital is a key component of the Group's ability to deliver sustainable value to stakeholders.

Sygnia's competitive advantage derives from the intellectual capital inherent in the experience and expertise of its management team. The Group's focus is one of innovation rather than imitation within the financial services industry. This innovation includes product design, systems development and a low-cost approach to charging for savings and investment options, all three of which have contributed to Sygnia's growth and positioning as a market disruptor in the industry. Future innovation will remain at the core of the Group's value proposition.

The success of the business is also very reliant on its ability to attract and retain exceptional people, at all levels of the organisation. To achieve this, the Group needs to prioritise processes and strategies that incentivise and motivate staff from both financial and personal growth perspectives. These processes and strategies are likely to evolve over time.

Recruitment, development and retention

Sygnia is committed to recruiting and retaining appropriately skilled staff and to deepening the expertise of its core management team. The retention of staff, as well as their effort and motivation to innovate, are premised on aligning the individual's personal objectives with the Group's culture, risk management, governance framework and ethical values, along with the individual's ability to understand and implement the Group's strategy and to improve Sygnia's products, processes and services. Sygnia has introduced short-term and longer-term incentives, as well as policies and processes that facilitate all of the above.

Sygnia's management team has been stable, with limited turnover of key personnel since the inception of the business. This has provided overall stability to the business strategy, as well as long-term corporate memory of the evolution of all business units and client relationships. The key staff are all significant shareholders in the business, while the share option scheme introduced at listing and the new share option scheme introduced during the prior year should assist in retaining the broader team and help recruit additional senior staff going forward.

Sygnia's middle management team has also been stable, with only a few career-based departures over the years. Both the share option schemes and the B-BBEE staff scheme (the Ulundi Staff Trust, introduced in 2013) are material components of staff retention at the middle management tier.

Sygnia established the Ulundi Staff Trust to facilitate its B-BBEE transaction in 2013. The transaction was entirely vendor-financed and allowed the Ulundi Staff Trust to acquire control of a 20% shareholding in Sygnia Asset Management, which was converted to shares in Sygnia Limited on listing in 2015.

The junior staff tier, largely administrative in nature, experiences higher turnover due to the high level of competition for administrative staff within the financial services industry in Cape Town. Sygnia's staff are generally regarded as being of a very high calibre due to the Group's rigorous training.

/ Business sustainability

The Group prioritises the employment of black candidates for all positions, with 67% of staff being black (2019: 65%). Sygnia regards rigorous internal training as key to its success and as such is less reliant on finding people with suitable experience. Emphasis is instead placed on finding individuals with the potential to excel and to be fast-tracked within the Group to ensure career satisfaction and retention. The Ulundi Staff Trust is an important component of the strategy to retain key black staff, and its significance and transparency as a mechanism for wealth creation increased materially after the listing.

A number of internship programmes were put into place last year that carried over into this year, one of which resulted in a permanent placement in the Finance team this year. The internships are used to train junior staff and, over time, identify skilled individuals who are retained by the business. We also have four external black disabled learnerships being sponsored through the LFP Group.

New starters are subject to thorough on-the-job training within their divisions, as well as a corporate induction programme aimed at ensuring that they are immersed in the values and performance-oriented culture of the business as quickly as possible.

Staff are encouraged and financially supported to pursue further training in the areas relevant to financial services and systems development.

Ownership culture

It is of critical importance that the entrepreneurial and innovative culture of Sygnia is preserved going forward, despite the rapid growth of the business and the increase in staff numbers. This is best achieved by allowing key staff members to meaningfully participate in the growth and success of the company.

After the listing on the JSE, staff retained a 66% stake in the company. Although this was diluted in subsequent years through staff changes and the rights issue in August 2017, staff currently retain 70% of the shares. Senior management and key staff members were awarded share options at listing, and additional options have been granted subsequent to listing; the options vest over a five-year period.

Sygnia's qualifying black staff are beneficiaries of the Ulundi Staff Trust, which controlled 6% of Sygnia Limited at the financial year end. The remaining vesting period for the Ulundi Staff Trust is less than three years. Beneficiaries of the Ulundi Staff Trust participate in dividends, provided that the financing commitments have been met. Staff members who did not qualify for the above were each granted shares to the value of R10 000 at listing. The share option scheme and the Ulundi Staff Trust have created tangible benefits for participants.

Staff remuneration

Introduction

The Sygnia Remuneration Policy ("the Policy") sets out the policies and procedures relating to staff and directors' remuneration. The Policy targets the attraction, retention and appropriate rewarding of staff at all levels of the organisation and has been designed in line with the recommendations of King IV.

Responsibility and approval

The Policy is designed, reviewed and monitored by the Group's remuneration committee. The remuneration committee is chaired by a non-executive director and consists of one other non-executive director and the financial director. The chief executive officers are not members of the committee but attend meetings by invitation.

/ Business sustainability

The remuneration committee reviews the Policy at least annually and reports on its appropriateness to the board of directors of Sygnia. The board approves the Policy and any material changes to the Policy on an annual basis. The responsibility for implementation of the Policy has been delegated to management, who is responsible for preparing an annual implementation report.

The Policy and the implementation report are subject to separate non-binding advisory votes by shareholders every year at the annual general meeting, or whenever a material change has been approved by the board.

In the event that either the Policy or the implementation report, or both, are voted against by 25% or more of the votes exercised, the board shall at a minimum implement the following measures in good faith and with best reasonable efforts:

- (a) an engagement process to ascertain the reasons for the dissenting votes; and
- (b) an appropriate response to legitimate and reasonable objections and concerns raised, which may include amending the Policy or clarifying or adjusting remuneration governance and/or processes.

The announcement of the voting results must include an invitation to dissenting shareholders to engage with Sygnia, and the manner and timing of such engagement. The following should then be disclosed in the background statement of the remuneration report that follows the voting:

- (a) with whom Sygnia engaged, and the manner and form of engagement to ascertain the reasons for dissenting votes; and
- (b) the nature of steps taken to address legitimate and reasonable objections and returns.

The remuneration of the non-executive directors of the Group must be approved by a special resolution of the shareholders of Sygnia every two years, or whenever a material change is proposed by the board.

Objectives

In developing the Policy, the following objectives have been taken into account:

- The strategy and business objectives of the Group
- The need to create sustainable value for all stakeholders
- The need to attract and retain staff with the requisite skills
- Alignment of business objectives with the interests of all stakeholders
- Prevailing market conditions and market-related remuneration levels
- Fair and equitable treatment of all staff
- Ensuring that key staff share in the success of the Group in order to promote the culture of entrepreneurship and ownership that has driven the Group's success to date
- Compliance with all relevant applicable laws or regulatory provisions
- The Group's transformation objectives

The Group applies the following remuneration framework for staff:

- Market-related salaries reflective of the individual's expertise, experience and skills
- Bonuses reflective of the Group and the individual's performance
- Share options or participation in the B-BBEE share scheme to retain key staff

The setting of the remuneration of the chief executive officer is the responsibility of the board on the advice of the remuneration committee. The setting of remuneration of other executive staff is the responsibility of the remuneration committee on advice of the chief executive officers.

/ Business sustainability

The Group applies the following principles in rewarding non-executive directors:

- Market-related fees reflective of the individual's expertise, experience and skills, as well as the time required to execute their required duties and obligations
- Assessment of fees paid by other financial services companies for similar services
- Basic fees are set for the year
- Additional fees, set at a fixed hourly rate, may be paid for additional time spent on the Group's affairs
- All contracts are subject to a 30-day notice period with no payment related to a loss of office

Employee remuneration components

Basic salary

The Group pays market-related salaries reflective of the individual's expertise, experience and skills. Salaries are paid on a total cost-to-company basis, incorporating basic salaries, payment of Group risk benefits and contributions to the Group retirement annuity fund and a medical aid scheme.

Pay ranges represent the level of compensation paid in respect of similar positions in the market. The Group aims to pay basic salaries between the midpoint and the first quartile of those paid by competing organisations for similar positions, with a minimum and maximum of the range informed by the lower and upper market quartile. Only in special circumstances of particularly scarce skills or experience shortages may an individual be compensated beyond the maximum of the range.

The market-related remuneration levels are determined by reference to REMchannel, which is an independent market survey, as well as by monitoring salary levels published in job advertisements and information gleaned from interviews with potential candidates and through discussion with recruitment agents.

Performance-related bonuses

The Group uses a combination of discretionary bonuses and contractual 13th cheques to reward staff. The administration and systems development teams are generally remunerated via 13th cheques, while the investment team, new business and client services teams and management across the Group are rewarded through discretionary performance bonuses.

Annual performance bonuses and 13th cheques are declared on 1 October of each calendar year and are paid in December, provided the individual remains in the employment of the Group. Performance bonuses may be awarded to staff who exceed expectations, including those to whom 13th cheque packages contractually apply. Performance bonuses (other than contractual 13th cheques) are fully discretionary and are motivated by department and business unit heads, based on performance appraisals.

Discretionary bonus motivations are reviewed by the executive directors to ensure internal equity.

Key staff members are defined as all staff whose contribution to the Group is strategic in nature and/or who would be difficult to replace due to their specific skill set, expertise and experience.

In terms of discretionary performance bonuses payable to key staff, the following factors are taken into account:

- Market-related remuneration, as determined by independent remuneration surveys and market reviews
- Individual performance and experience
- Group's financial performance
- Sustainable value creation, including economic, social and environmental factors

Annual increases

Annual increases are granted on 1 October of each calendar year and are based on external factors such as the prevailing rate of inflation and market forces, as well as on individuals' performance, skills, experience and effort.

/ Business sustainability

Long-term incentives

In terms of longer-term incentives, eligible staff are rewarded through share options or participation in the Ulundi Staff Trust. The long-term incentives are granted and reviewed annually.

The share options have a staggered vesting period over three, four and five years from the point of award; the B-BBEE share scheme has a vesting date of 2023. Both allocations are determined by senior management on the recommendation of business unit heads and are subject to a review by the remuneration committee and the approval of the board. The overall objective is to ensure internal equity, market-related remuneration and a sustainable set of deliverables. Relative allocations are based on an individual's performance, expertise and seniority. Share options may be awarded on an ad hoc basis, usually related to attracting senior staff. These awards are discretionary in nature and are based on a recommendation by the chief executive officers and are subject to approval by the remuneration committee. Annual allocations are reviewed and agreed upon by the remuneration committee.

Eligible staff of the B-BBEE share scheme are all qualifying staff of Sygnia with a minimum of 12 months' service. The eligible staff of the share option scheme are senior and key staff considered to be contributing to business strategy and the creation of value (as reflected by the share price).

Ownership

The Group was founded by its senior management, including one of the chief executive officers, who all own direct and indirect shareholdings in Sygnia. Other staff members used the opportunity of Sygnia listing on the JSE to acquire Sygnia shares. All dealings in Sygnia shares by members of staff and directors are subject to the Personal Account Trading Policy.

Benefits and allowances

Group retirement annuity scheme: All staff can contribute to the Sygnia Retirement Annuity Fund on a salary- sacrifice basis, with an option of four levels of contribution rates.

Medical aid: The Group facilitates staff contributions to a Group-determined medical aid scheme on a salary-sacrifice basis. The membership of the scheme is not compulsory, but consulting services are provided to all staff to encourage participation.

Life and disability insurance: All staff contribute to life and disability insurance cover, which is a multiple and percentage of the basic salary, respectively. Staff also contribute to funeral benefits insurance cover.

Progression increases

An individual promoted to a particular position typically receives a salary toward the minimum of a market-related range for the position. Over time, as they approach full competency, they move toward the midpoint through annual salary awards. Increases above the midpoint will typically be lower as performance expectations become higher.

Individuals approaching the maximum of their range are usually candidates for promotion, are considered to be exceptionally competent and performing at a consistently high level over long periods or have identified scarce skills.

Market and peer group comparisons

Salary benchmarking is used to determine market-related salaries and remuneration. REMemchannel is the primary survey used, but other sources are utilised to provide additional data points. Senior management use the following tools to determine market-related remuneration structures:

- Independent market surveys

/ Business sustainability

- Publicly available information, e.g. advertised positions, company reports
- Interviews with candidates for available positions
- Recruitment agents

Each component of remuneration (basic salary, performance bonuses, long-term incentives and benefits) is analysed and compared with market information, and the overall package is reviewed accordingly.

As the Group currently operates in South Africa, the remuneration is benchmarked to domestic levels of remuneration. The peer group comparisons are drawn from the following industries:

- Asset management companies
- Administration companies

Directors' remuneration

The principles behind non-executive directors' fees are that they are market-related and commensurate with the time required to execute the required duties and obligations. Approved fees are set for the year. They are not linked to the performance of the Group or to the performance of the share price.

The negotiated fees are subject to a review by the remuneration committee on an annual basis. The proposed non-executive directors' fees are put to the shareholders' vote at the annual general meetings.

Executive directors are not remunerated separately in respect of fulfilling the roles of directors.

Diversity and equal opportunity

Sygnia is committed to ensuring that its staff is representative of the broader South African community. Gender equality is strongly promoted with significant focus placed on the promotion of women to key management positions. The following statistics reflect that commitment:

- One of the chief executive officers is a woman
- 33% of the board of directors is female
- 58% of staff are women
- Most senior management positions are held by women, including Head: Operations; Head: Employee Benefit Operations; Head: Retail Operations; Head: Institutional Administration; Head: Human Resources; Head: Retail Sales; Head: Marketing; and Head: Risk Management.

In terms of broader staff diversity, the following applies:

- 42% of Sygnia's staff are male and 58% are female
- 67% of Sygnia's staff are black
- 7 staff members are disabled

Intellectual property

Sygnia owns all legal rights to its proprietary institutional and retail systems, including Sygnia Platinum, Sygnia Platinum Light and Sygnia Alchemy.

Social and relationship capital

Sygnia's success is premised on the strength of its relationships with all key stakeholders, including the communities it interacts with and on behalf of which it manages assets. It places a strong focus on client loyalty, government relationships and community acceptance. To build trust and develop relationships over time, the Group engages in a number of initiatives to ensure that it retains its social licence to operate with integrity in the financial services industry.

Treating customers fairly

Treating Customers Fairly ("TCF") is an outcomes-based regulatory and supervisory framework designed to ensure that regulated financial services companies meet specific, clearly articulated fairness outcomes for their clients. Companies are expected to demonstrate that they deliver the six TCF outcomes through the entire product value chain and the entire product life cycle, from product design and promotion through advice and servicing to complaints and claims handling.

In adopting the TCF principles, Sygnia recognises that fair treatment of its clients is about adding value to the services it offers, by aiming to:

- Protect the interests of its clients at each stage of the product life cycle, from promotion right through to after sales services.
- Meet the unique needs of each client, by offering a transparent, efficient and professional service, and constantly reviewing its service to identify areas for improvement.

Sygnia undertakes to meet the needs of its clients in an honest and fair manner, as client satisfaction is paramount to the sustainability of the business.

The Group strives to ensure that the TCF principles are reflected in its culture, strategies, policies, products and client service. The board has adopted a TCF Policy to confirm Sygnia's commitment to the TCF outcomes by setting out the Group's approach to implementation. TCF is a standing agenda item at each board meeting. The responsibility for implementation lies with the board, management and every staff member.

Outcome 1: Consumers can be confident that they are dealing with firms, where the fair treatment of customers is central to the corporate culture.

As a financial services organisation, Sygnia has a strong client focus. Responsibility is placed not only on the Sygnia Group board of directors and senior management to deliver fair outcomes for clients in a manner which does not hamper efficiency, but also falls to all staff employed within the Sygnia Group.

Sygnia prides itself on full transparency of all costs and charges. That transparency was the core proposition to the institutional market, and the differentiating factor when Sygnia launched its multi-manager and customised multi-manager products and services in 2006. In 2013, Sygnia launched the most cost-effective savings and investment products in South Africa to the retail market.

The Group's focus on offering index-tracking funds to both groups of investors ensures fair treatment from both a cost and a performance expectations perspective.

Sygnia also pioneered the concept of using institutional investment funds as an underpin to retirement annuities, living annuities and preservation funds offered to members exiting occupational retirement funds through withdrawal or retirement. This ensures that clients enjoy continuity of investment strategies at a reasonable cost. This includes SURF, whereby members of SURF who leave employment through withdrawal or retirement can remain members of SURF to enjoy the benefits of unchanged investment strategies and low fees.

Sygnia places a strong focus on educating the general consumer about all aspects of saving and investing. This is achieved through articles, radio interviews, participation in conferences and specific client functions organised by Sygnia.

Outcome 2: Products and services marketed and sold in the retail market are designed to meet the needs of identified consumer groups and are targeted accordingly.

All Sygnia's products have been designed to meet specific needs and the product structure is simple and accessible. The retail products, in particular, offer different risk profiles to different target markets. A passive product range is offered alongside a blend of passive and active strategies to address the needs of different consumers and to offer a choice of different charging structures.

Sygnia's retail funds mirror those offered to institutional investors so that members of retirement funds can invest in the same strategies after they leave their occupational retirement fund (or in their discretionary capacity).

The retail portal offers clients access to financial planning tools that help to guide their savings and investments decisions.

The Sygnia RoboAdvisor, a digital financial planning tool, offers customers the option of designing investment strategies that take personal circumstances into account, and implements the strategies at a very low cost through passive products.

Outcome 3: Consumers are provided with clear information and kept appropriately informed before, during and after the point of sale.

All of Sygnia's financial promotions and marketing literature are reviewed to ensure that they are clear, compliant and not misleading in any manner.

All product information is available on Sygnia's website and through the retail and institutional portals, Alchemy and Platinum Light. Access to these portals allows consumers to view their transactions and investment information at any time. Development of these portals is ongoing to ensure that the needs of consumers are anticipated and addressed.

Dedicated retail and institutional client service teams are available to answer direct questions. Clients receive monthly and quarterly statements, investment reports, economic commentary and other investment-related communications from Sygnia.

Outcome 4: When consumers receive advice, the advice is suitable and takes account of their circumstances.

Sygnia offers advice through its digital financial planning tool, Sygnia RoboAdvisor. The financial planning model that underpins the advice has been developed over a number of years by experts in the fields of financial mathematics and investments and takes detailed information about each potential client into account prior to customising an investment strategy for that client. Ongoing advice is provided via the Sygnia Alchemy retail portal.

All product information provided by Sygnia includes investment objectives, risk profiles and benchmarks to ensure that consumers can make informed choices.

Outcome 5: Consumers are provided with products that perform as firms have led them to expect, and the associated service is of an acceptable standard and as they have been led to expect.

Sygnia's investment products have clear investment objectives, and specified performance benchmarks, to ensure that consumers are aware of the relevant risk and return profiles prior to investing.

Monthly fund fact sheets include comparative performance and risk statistics, cost disclosures and a summary of prevailing market conditions to ensure that performance expectations are actively managed. Sygnia's monthly economic summary, Sygnals, provides a more comprehensive description of the global and domestic macro-environment, which helps to guide performance expectations. Retail and institutional portals provide clients with access to daily valuations, investment strategy breakdowns and performance information. Sophisticated transacting functionality allows clients to execute their investment decisions instantaneously.

Dedicated retail and institutional client service teams are well trained to handle queries and guide clients through the administration process. A dedicated call centre is capable of dealing with numerous queries at the same time.

Outcome 6: Consumers do not face unreasonable post-sale barriers imposed by firms to change product, switch provider, submit a claim or make a complaint.

Sygnia does not charge switching fees, or impose any penalties should a client wish to switch providers. Online transacting functionality makes issuing instructions easy and quick. All claims are processed within well-explained timelines with no unnecessary delays. The complaints policy is available on the company's website, with contact details readily available to clients. All complaints are recorded by Sygnia's compliance department and are reported and analysed in the risk and compliance committee meetings, management information reporting and board meetings.

Environmental, social and governance factors

Sygnia endorses the principles of sustainable development and supports the incorporation of environmental, social and governance ("ESG") factors in investment decision making.

As a multi-manager, Sygnia monitors the ESG policies of third-party asset managers employed to manage Sygnia's clients' assets. ESG factors are evaluated in terms of the extent to which they are taken into account in the investment processes followed by the appointed asset managers. Managers are encouraged to become signatories to the Code for Responsible Investing in South Africa, and this is taken into account in Sygnia's manager selection process.

Transformation

Sygnia recognises that the sustainability of the business lies in its ability to attract and retain clients. Meeting the targets set by the Amended Financial Sector Code ("New FSC") is an important component of client retention in the institutional market and is also important in the context of contributing towards the broader transformation of South Africa towards an integrated, balanced and growing society and economy.

Sygnia takes a holistic approach to transformation, implementing strategies across the Group, and takes a long-term view on compliance with the New FSC. The ownership aspect was partially addressed through the formation of the Ulundi Staff Trust. Other B-BBEE owners have been brought on board as part of the listing process.

Sygnia has also taken further steps to address its B-BBEE standing. These include:

- Changing the composition of its board of directors
- Expansion of B-BBEE staff training initiatives
- Participation in the YES Initiative

Preferential procurement has been an important aspect of the transformation strategy, with an active approach taken to ensure that procurement explicitly targets B-BBEE as a criterion for service provider selection. Sygnia has actively switched providers to those compliant with its objectives. Support for small, entrepreneurial businesses has also been a feature of the strategy. The empowerment credentials of all suppliers and service providers are reviewed by independent parties. Sygnia continues to improve its compliance with the New FSC.

Environmental impact

Sygnia acknowledges both the environment and broader community and takes active steps to reduce its carbon footprint, encouraging and adopting measures such as:

- Minimising the amount of air travel required by utilising video conferencing facilities in our Cape Town and Johannesburg offices
- Utilising natural light as much as possible in all office buildings
- Using electronic communication, reporting and data storage to limit the use of paper and electricity

/ Business sustainability

- Using public transport rather than rental cars when on business trips, including MyCiti buses in Cape Town and the Gautrain in Johannesburg
- Recycling waste, such as paper, cardboard and plastics

Corporate social investment

Sygnia's key CSI focus is on education, investing in initiatives from early childhood development through to tertiary education programmes.

The social and ethics committee comprises executive management and staff who are passionate about making a difference and building a better South Africa.

Supporting sustainable organisations and projects, Sygnia provides bursaries to scholars and supports outreach education initiatives in under-resourced schools. It recognises that the future of South Africa rests in the hands of its youth, who will become either the beneficiaries or victims of the 4th Industrial Revolution. Sygnia is determined to assist them to embrace this future and empower them to become beneficiaries rather than victims.

Sygnia's corporate social investment objectives aim to support:

- Programmes and organisations that facilitate improvement and access to training and learning in South Africa
- Projects that focus on the welfare and development of children
- Projects where talent is recognised and developed
- Projects with direct and clear delivery objectives, and where administration costs are kept to a minimum

Sygnia is proud to partner with and supports the following organisations:

Children Aloud: An organisation that focuses on identifying and supporting at-risk youth in the socially deprived community of Ocean View. They aim to enable young people to bring about change in their lives through positive daily reinforcement and by building resilience and decreasing risk-taking behaviour.

Elkana Childcare: Focusing on children in desperate need of meaningful interventions to prevent and protect against the infringement of their basic human rights. Their purpose is to transform the lives of children who live in severely adverse situations that negatively impact their positive development and future.

LEAP Science and Maths Schools: Developing unique, self-liberating high school education programmes for children in marginalised communities. The LEAP Movement works with a range of partners to effect broader systemic change in education in South Africa.

O Grace Land: Providing a temporary safe haven for vulnerable young women who grew up in homes and institutions and are preparing to enter adult life. The organisation offers both life skills and transitional support while the young women complete their education and prepare for the working world.

Ray Mhlaba Skills Training Centre: The centre offers a variety of SETA-accredited and entrepreneurial training programmes to students who grew up in homes. Students are provided with the practical skills to pursue employment or entrepreneurial opportunities.

Regional Educare Council: Specialising in early childhood development (ECD) programmes, the organisation's passion lies in the holistic improvement of the quality of education for children, and they strive to motivate and provide training programmes for ECD practitioners to allow growth in the field.

/ Business sustainability

Roland Greaver Leadership Foundation: The foundation aims to create meaningful opportunities that will positively influence the lives of historically disadvantaged and impoverished learners in SA. The focus of the foundation is on supporting aspiring CAs to achieve their qualifications and goals.

The Homestead: The organisation offers various programmes and projects in response to the plight of children living, working and begging on the street. These initiatives include prevention and early intervention programmes, street outreach and the provision of shelter.

Mitchells Plain Bursary Trust: The Trust provides funding to students who deserve tertiary education but are limited by their financial means. The Trust assists with registration and/or tuition fees for studies at institutions such as the University of Cape Town, the University of the Western Cape, the University of Stellenbosch, the Cape Peninsula University of Technology and Further Education and Training colleges.

Impact Trust: The Trust provides an immersive journey in nature that facilitates learning about ecosystems, circular economies and transition towns and develops familiarity with the interconnectivity of the natural environment and social and economic systems.

VUSA Academy: The academy creates social upliftment for children from under-privileged communities through structured academic, sporting and recreational programmes.

Bursary: Sygnia sponsors the bursary of one under-privileged Bishops learner for the school year.

Notice of the annual general meeting

Notice is hereby given that the annual general meeting ('Meeting') of Sygnia Limited ('Sygnia' or 'the Company') will be held, subject to any cancellation, postponement and adjournment, on Thursday, 28 January 2021 at 10:00am (SAST).

Impact of COVID-19 outbreak on the AGM

As a result of the COVID-19 outbreak, and guidance from authorities regarding the need for social distancing, the Meeting will be conducted entirely by electronic communication, as permitted by the Companies Act, No. 71 of 2008, as amended ("the Act") and by the Company's Memorandum of Incorporation ("MOI").

Shareholders or their duly appointed proxy(ies) that wish to participate in the Meeting via electronic communication (Participant(s)) must either 1. register online using the online registration portal at www.smartagm.co.za; or 2. apply to Computershare, by sending an e-mail to proxy@computershare.co.za so as to be received by Computershare by no later than 10:00am (SAST) on Tuesday, 26 January 2021. Computershare will first validate such requests and confirm the identity of the shareholder in terms of section 63(1) of the Companies Act, and, if the request is validated, further details on using the electronic communication facility will be provided. The Company will inform Participants who notified Computershare of their intended participation by no later than 10:00am (SAST) on Wednesday, 27 January 2021 by e-mail of the relevant details through which Participants can participate electronically.

The cost of dialling in using a telecommunication line/webcast/web-streaming to participate in the Meeting is for the expense of the Participant and will be billed separately by the Participant's own service provider.

Record dates, voting and proxies

The record date to receive the notice of the Meeting, determined in accordance with section 59(1)(a) of the Companies Act, No. 71 of 2008, as amended ("the Act"), is Friday, 27 November 2020, being the date on which a person must be registered as a shareholder of the Company for purposes of being entitled to receive a notice of the Meeting. The record date for the Meeting, determined in accordance with section 59(1)(b) of the Act, is Friday, 22 January 2021, being the date on which a person must be registered as a shareholder of the Company for purposes of being entitled to participate in and vote at the Meeting. The last day to trade to be able to participate in and vote at the Meeting is Tuesday, 19 January 2021.

References to all page numbers are in relation to the Annual Financial Statements and the 2020 Integrated Report as indicated.

Votes at the Meeting will be taken by way of a poll and not on a show of hands. Any shareholder entitled to attend and vote at the Meeting is entitled to appoint a proxy or proxies to attend, speak, act and, on a poll, vote in his or her stead. The proxy so appointed need not be a shareholder of the Company. A form of proxy is attached to this notice.

Kindly note that, in accordance with section 63(1) of the Act, participants (including proxies) are required to provide satisfactory identification before being entitled to attend or participate in a shareholders' meeting. In addition, the person presiding at the meeting must be reasonably satisfied that the right of that person to participate and vote, either as a shareholder or proxy, has been reasonably verified. Suitable forms of identification include a valid identity document, a driver's licence or a passport.

Each ordinary resolution to be considered at the Meeting requires the support of more than 50% of the voting rights exercised on the resolution in order to be adopted, unless otherwise stipulated.

/ Notice of the annual general meeting

Each special resolution to be considered at the Meeting requires the support of at least 75% of the voting rights exercised on that resolution in order to be adopted.

The attention of the shareholders is drawn to the fact that, if it is to be effective, the completed form of proxy must reach the Company's transfer secretaries in Johannesburg before the time appointed for the Meeting (which period excludes Saturdays, Sundays and South African public holidays). For administrative purposes, proxies should however be submitted to the transfer secretaries before 10:00 on Tuesday, 26 January 2020.

In terms of the Listings Requirements of the JSE Limited ("JSE Listings Requirements"), equity securities held by a share trust or scheme established by the Company will not have their votes at the Meeting taken into account for the purposes of resolutions proposed in terms of the JSE Listings Requirements.

Shareholders who have not dematerialised their shares, or who have dematerialised their shares but with "own name" registration (entitled shareholders), may appoint one or more proxies to attend, speak and vote or abstain from voting in such shareholders' stead. A form of proxy is attached for the use of those entitled shareholders who wish to be so represented.

Shareholders who have already dematerialised their shares (other than those with "own name" registration) are required to inform their duly-appointed central securities depository participant (CSDP) or broker, as the case may be, of their intention to attend the Meeting and request that their duly-appointed CSDP or broker, as the case may be, issue them with the necessary letters of representation to attend or provide their duly-appointed CSDP or broker, as the case may be, with their voting instruction should they not wish to attend the Meeting in person but wish to be represented thereat.

The purpose of the meeting is to transact the business set out below.

A. Presentation of audited financial statements

The audited annual financial statements of the Company for the year ended 30 September 2020, together with the reports by the directors, the external auditors and the Audit and Risk Committee have been approved by the board of directors of the Company on 7 December 2020 and are available on the Company's website, www.sygnia.co.za.

B. Presentation of social and ethics committee report

In accordance with regulation 43(5)(c) of the Companies Regulations, 2011, the Social and Ethics Committee of the Board will report, through one of its members, to the shareholders at the Meeting on the matters within its mandate.

C. To consider and, if deemed fit, approve, with or without modification, the following ordinary and special resolutions:

Ordinary resolutions

Ordinary Resolution 1: To appoint the auditor of the Company

To appoint Mazars, as recommended by the Audit and Risk Committee, to be the Company's registered auditor for the ensuing year ending 30 September 2021 and to note Ms Yolandie Ferreira as the designated audit partner.

/ Notice of the annual general meeting

Ordinary Resolution 2: To re-elect the non-executive directors

To re-elect the following individuals as non-executive directors, who retire by rotation in accordance with the provisions of the Company's memorandum of incorporation but are eligible and available for re-election:

- 2.1 Prof H Bhorat
- 2.2 Mr A Crawford-Brunt

A profile in respect of each director is contained on pages 9 to 12 of the 2020 Integrated Report. The re-election of the directors of the board will be conducted by way of a separate vote in respect of each individual.

Ordinary Resolution 3: To elect the non-executive directors who were appointed during the year

To elect as non-executive directors, the following individuals who were appointed during the year:

- 3.1 Ms C Appana
- 3.2 Mr H Mayers

A profile of Ms C Appana is contained on page 12 of the 2020 Integrated Report.

Profile of Mr H Mayers: Mr Mayers previously served as Chief Executive Officer of VitalityLife and VitalityInvest UK. Mr Mayers qualified as an Actuary in 1986 and is a Fellow of the Institute of Actuaries. He joined Liberty Life and, as a member of their Exco, was head of Individual and Group Business, Underwriting, Systems, Technology, Product Development and Finance. Mr Mayers joined Discovery as the Managing Director of Discovery Life at the beginning of 2000, to set up and launch its life insurance arm. In January 2006 Mr Mayers was appointed CEO of Discovery Life and Discovery Invest. In 2007 he became CEO of PruProtect in the UK, a joint venture between Discovery and Prudential Assurance Company, and remained CEO when Discovery took full ownership of the business and rebranded it VitalityLife in 2014. In June 2018 he was appointed CEO of Vitality's new investment business, VitalityInvest.

The election of the directors of the board will be conducted by way of a separate vote.

Ordinary Resolution 4: To elect the Audit and Risk Committee members

To elect the Audit and Risk Committee members as required in terms of the Act and the JSE Listings Requirements. The following individuals are recommended for election to the Audit and Risk Committee:

- 4.1 Mr G Cavaleros (chairman of the Audit and Risk Committee)
- 4.2 Ms C Appana

A profile in respect of each member recommended for election to the Audit and Risk Committee is contained on pages 9 to 12 of the 2020 Integrated Report. The election of the members of the Audit and Risk Committee will be conducted by way of a separate vote in respect of each individual.

Ordinary Resolution 5: To authorise the issue of ordinary shares for cash

To resolve that the Directors of the Company be and are hereby authorised, by way of a general authority, to allot and issue ordinary shares in the capital of the Company for cash, including, within the scope of such authority, the ability to issue options and securities (including any convertible preference shares in the authorised share capital of the Company) that are convertible into ordinary shares, subject to the limitation set out in the MOI, the provisions of the Act and the JSE Listings Requirements from time to time on the following basis:

- The ordinary shares that are the subject of the allotment and issue for cash must be of a class already in issue or, where this is not the case, must be limited to such ordinary shares or rights that are convertible into a class of ordinary shares already in issue.

/ Notice of the annual general meeting

- There will be no restrictions in regard to the persons to whom the ordinary shares may be allotted and issued, provided that such shares are to be allotted and issued to public shareholders (as defined by the JSE Listings Requirements) and not to related parties (as defined by the JSE Listings Requirements).
- The total aggregate number of ordinary shares that may be issued for cash in terms of this authority may not exceed 22 260 356 ordinary shares, constituting 15% of the aggregate number of ordinary shares in issue as at the date of notice of the Meeting. The number of ordinary shares that may be issued shall be based on the number of ordinary shares in issue at the date of this notice of Meeting, less any ordinary shares issued in terms of this authority by the Company during the current financial year.
- In the event of sub-division or consolidation of ordinary shares prior to this authority lapsing, the existing authority shall be adjusted accordingly to represent the same allocation ratio.
- The maximum discount at which the ordinary shares may be issued is 10% (ten percent) of the weighted average traded price of those ordinary shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the Company and the party(ies) subscribing for the ordinary shares. The JSE should be consulted for a ruling if the Company's securities have not traded in such 30 (thirty) business day period.
- This authority shall not endure beyond the earlier of the next annual general meeting of the Company or beyond 15 (fifteen) months from the date of this ordinary resolution, whichever is shorter.
- Upon any issue of ordinary shares that, together with prior issues of ordinary shares within the period that this authority is valid, constitute 5% (five percent) or more of the total number of ordinary shares in issue prior to that issue, the Company shall publish an announcement in terms of section 11.22 of the JSE Listings Requirements, giving full details thereof.

In terms of the JSE Listings Requirements, for Ordinary Resolution 5 to be approved by shareholders, it must be supported by at least 75% of shareholders.

Explanatory note: The board of directors, as at the date of this notice, has no definite intention of issuing further shares. However, the board of directors believes that shareholders should pass this resolution to enable the board of directors to issue additional shares should it be in the best interests of the Company to do so.

Ordinary Resolution 6: Control of authorised but unissued shares

To resolve that all the unissued shares in the authorised share capital of the Company be placed under the control of the directors of the Company, who are authorised to allot and issue the same to such persons and on such terms and conditions as they may determine in their sole and absolute discretion, subject to the provisions of the Act and the JSE Listings Requirements.

Ordinary Resolution 7: Non-binding advisory vote on the Sygnia remuneration policy

To endorse, through a non-binding advisory vote, the Company's remuneration policy (excluding the remuneration of non-executive directors) as contained on pages 49 to 53 of the 2020 Integrated Report.

The vote allows shareholders to express their views on the remuneration policy adopted. The vote is of an advisory nature only and will not be binding on the Company. In the event that 25% or more of the shareholders vote against the Company's remuneration policy, the Company will follow an engagement process with shareholders.

Ordinary Resolution 8: Non-binding advisory vote on the Sygnia implementation report

To endorse, through a non-binding advisory vote, the Company's remuneration implementation report as contained on pages 49 to 53 of the 2020 Integrated Report.

/ Notice of the annual general meeting

The vote allows shareholders to express their views on the Company's remuneration implementation report. The vote is of an advisory nature only and will not be binding on the Company. In the event that 25% or more of the shareholders vote against the Company's remuneration implementation report, the Company will follow an engagement process with shareholders.

Ordinary Resolution 9: To authorise directors and the company secretary to implement special and ordinary resolutions

To resolve that each and every director of the Company and the company secretary be and is hereby authorised to do all such things and sign all such documents as may be necessary for or incidental to the implementation of the resolutions passed at this Meeting.

Special resolutions

Special Resolution 1: To approve remuneration of non-executive directors

To resolve that fees payable by the Company to directors for their services as directors (in terms of section 66(9) of the Act) be and are hereby approved for a period of one year from the passing of this special resolution or until its renewal, whichever is the earlier, as follows (exclusive of VAT):

- 1.1 in respect of Professor Haroon Borat, a proposed annual fee of R750 000
- 1.2 in respect of Mr George Cavaleros, a proposed annual fee of R650 000
- 1.3 in respect of Mr Mcebisi Jonas, a proposed annual fee of R1 080 000
- 1.4 in respect of Ms Clarissa Appana, a proposed annual fee of R300 0000
- 1.5 in respect of Mr Herschel Mayers, a proposed annual fee of R600 000
- 1.6 in respect of any other director, an annual fee not exceeding R600 000

Special Resolution 2: To authorise the repurchase of shares

To resolve that, in accordance with the MOI, it is hereby approved as a general authority contemplated in the JSE Listings Requirements, the acquisition by Sygnia, or any of its subsidiaries from time to time, of the issued ordinary shares of Sygnia, upon such terms and conditions and in such amounts as the directors of Sygnia may from time to time decide, but subject to the following provisions:

- This general authority shall be valid until the Company's next annual general meeting or for 15 months from the date of this resolution, whichever period is shorter.
- The ordinary shares be purchased through the order book operated by the JSE trading system and be done without any prior understanding or arrangement between the Company and/or the relevant subsidiary and the counterparty from whom the shares are purchased.
- An announcement complying with paragraph 11.27 of the JSE Listings Requirements be published by the Company
- (i) when the Company and/or its subsidiaries have cumulatively repurchased 3% of the ordinary shares in issue as at the time the general authority was given (the initial number); and
- (ii) for each 3% in aggregate of the initial number of ordinary shares acquired by the Company and/or its subsidiaries.
- The general repurchase by the Company of its own ordinary shares shall not in the aggregate in any one financial year exceed 20% of the Company's issued share capital of that class, provided that the acquisition of ordinary shares as treasury stock by a subsidiary of the Company shall not exceed 10% in the aggregate of the number of issued shares in the Company.
- Repurchases are not to be made at a price more than 10% above the weighted average of the market value for the ordinary shares for the five business days immediately preceding the date upon which the repurchase is effected.
- At any point in time, the Company may only appoint one agent to effect any repurchase on the Company's behalf or on behalf of any of its subsidiaries.

/ Notice of the annual general meeting

- A resolution is passed by the board of directors authorising the repurchase, that the Company passed the solvency and liquidity test and that since this test was done there have been no material changes to the financial position of the Group.
- The Company and its subsidiaries do not repurchase ordinary shares during a prohibited period (as defined in the JSE Listings Requirements), unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and has been submitted to the JSE in writing prior to the commencement of the Company's prohibited period. The Company will instruct an independent third party, which makes its investment decisions in relation to the Company's securities independently of, and uninfluenced by, the Company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE.
- Such repurchase shall be subject to compliance with the Act, the MOI and the JSE Listings Requirements.

Explanatory note and statement required in terms of paragraph 11.26 of the JSE Listings Requirements

To grant the board of directors the general authority to contract the Company and/or any of its subsidiaries to acquire shares in the Company, should the board of directors consider it appropriate in the circumstances.

The effect of Special Resolution 2 is that the directors will be granted the general authority, subject to the provisions set out in the resolution, to acquire shares in the Company, should they deem it appropriate in the circumstances and should the Company comply with the relevant statutes and authority applicable thereto.

The board of directors, as at the date of this notice, has no definite intention of repurchasing shares. However, the board of directors believes it to be in the best interests of the Company that shareholders pass this resolution.

Statement in terms of paragraph 11.26 of the JSE Listings Requirements

The board of directors shall not make any payment in whatever form to acquire any shares issued by the Company contemplated in Special Resolution 2 if, after the directors have considered the effects of the maximum repurchase or payment, there are reasonable grounds for believing that:

- The Company and the Group are, or will, at any time during the period of 12 months after the date of this notice, be unable, in the ordinary course of business, to repay their debts as they become due.
- The Company's and the Group's consolidated assets, recognised and measured according to the accounting policies used in the latest audited annual financial statements and IFRS, will not be more than their consolidated liabilities for the period of 12 months after the date of this notice.
- The ordinary share capital and reserves of the Company and the Group will not be adequate for ordinary business purposes for a period of 12 months after the date of this notice.
- The Company and the Group will not have sufficient working capital to meet its needs for a period of 12 months after the date of this notice.

Any repurchases shall comply with the limitations set out in Special Resolution 2, the requirements of the JSE Listings Requirements and the Act.

In compliance with paragraph 11.26(b) of the JSE Listings Requirements, the information listed below has been included in the 2020 Integrated Report in which this notice is included, at the places indicated:

- Major shareholders (page 139 of the 2020 Integrated Report)
- Stated capital (page 114 of the 2020 Integrated Report)

Material change

Other than the facts and developments reported on in the 2020 Integrated Report, there have been no material changes in the affairs, and in the financial or trading position of the Group, since the financial period ended 30 September 2020 and the signature date of this notice.

/ Notice of the annual general meeting

Directors' responsibility statement

The directors whose names are set out on page 8 of the 2020 Integrated Report collectively and individually accept full responsibility for the accuracy of the information contained in Special Resolution 2 and certify that to the best of their knowledge and belief there are no other facts the omission of which would make any statement false or misleading, and that they have made all reasonable queries in this regard, and that the notice of the Meeting contains all information required by law and by the JSE Listings Requirements.

Special Resolution 3: To provide financial assistance to subsidiaries and related or inter-related companies

To resolve that the Company is authorised to provide any direct or indirect financial assistance as contemplated in section 45 of the Act to any related or inter-related company or juristic person, in terms of and pursuant to the provisions of section 45 of the Act.

Explanatory note: To grant the board of directors the authority to provide direct or indirect financial assistance to any company or corporation that is related or inter-related to the Company. This means that the Company is, for example, authorised to grant loans to its subsidiaries and to guarantee the debt of subsidiaries.

Special Resolution 4: To provide financial assistance for the subscription or purchase of securities

To resolve that the Company is authorised to provide financial assistance as contemplated in section 44 of the Act to any person for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company, in terms of and pursuant to the provisions of section 44 of the Act.

Explanatory note: To grant the board of directors of the Company the authority to provide direct or indirect financial assistance to any person for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company. This means that the Company is, inter alia, authorised to grant loans to any persons to enable them to acquire shares in the Company or a subsidiary. The Company has no immediate plans to use this authority but is obtaining it in the interests of prudence and good corporate governance should the unforeseen need arise to use such authority.

By order of the board

Glen MacLachlan
Company secretary
7 December 2020

Registered office

7th Floor, The Foundry
Cardiff Street
Green Point
8001
South Africa

Form of proxy

Sygnia Limited

Incorporated in the Republic of South Africa | Registration number: 2007/025416/06 Share code: SYG | ISIN: ZAE000208815 | “Sygnia” or “the Company”

For use at the annual general meeting of the Company to be held at 10:00am (SAST) on Thursday, 28 January 2021, and at any cancellation, postponement or adjournment thereof.

To be completed by certificated shareholders and dematerialised shareholders with “own name” registration only.

I/we (full name): _____

of (address): _____

Telephone number: _____ Cell number: _____

Email address: _____

being a shareholder of Sygnia Limited and holding _____ ordinary shares of the company

hereby appoint (1) _____ or failing him/her

hereby appoint (2) _____ or failing him/her

the chairman of the annual general meeting, as my/our proxy to act for me/us and on my/our behalf at the annual general meeting, which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the ordinary and special resolutions to be proposed thereat and at any adjournment thereof; and to vote for and/or against the ordinary and special resolutions and/or abstain from voting in respect of the Sygnia ordinary shares registered in my/our name(s), in accordance with the instructions below.

Dated this _____ day of _____ year _____

Signature/s _____

/Form of proxy

Mark whichever is applicable with an X

Ordinary resolutions		For	Against	Abstain
1	To appoint the auditor of the Company			
2	To re-elect the non-executive directors			
2.1	Prof H Bhorat			
2.2	Mr A Crawford-Brunt			
3	To elect the non-executive director			
3.1	Ms C Appana			
3.2	Mr H Mayers			
4	To elect the Audit and Risk Committee members			
4.1	Mr G Cavaleros			
4.2	Ms C Appana			
5	To authorise the issue of ordinary shares for cash			
6	Control of authorised but unissued shares			
7	Non-binding advisory vote on the Sygnia remuneration policy			
8	Non-binding advisory vote on the Sygnia implementation report			
9	To authorise directors and the company secretary to implement special and ordinary resolutions			
Special resolutions		For	Against	Abstain
1	To approve remuneration of non-executive directors			
2	To authorise the repurchase of shares			
3	To provide financial assistance to subsidiaries and related or inter-related companies			
4	To provide financial assistance for the subscription or purchase of securities			

Shareholders holding certificated shares or dematerialised shares registered in their own name

1. Only shareholders who hold certificated shares and shareholders who have dematerialised their shares with “own name” registration may use this form of proxy.
2. Each shareholder is entitled to appoint one or more proxies (none of whom needs be a shareholder of the Company) to attend, speak and, on a poll, vote in place of that shareholder at the annual general meeting, by inserting the name of the proxy or the names of two alternate proxies of the shareholder’s choice in the space provided, with or without deleting “the chairman of the annual general meeting”. The person whose name stands first on the form of proxy and who is present at the Meeting will be entitled to act as the proxy to the exclusion of those whose names follow.
3. A shareholder’s instructions to the proxy must be indicated by the insertion of an “X” in the relevant space according to how that shareholder wishes their votes to be cast. However, if a shareholder wishes to cast a vote in respect of a lesser number of ordinary shares than they own in the Company, they should insert the number of ordinary shares held in respect of which they wish to vote in the relevant spaces. Failure to comply with the above will be deemed to authorise the chairman of the annual general meeting, if he is the authorised proxy, to vote in favour of the resolutions at the annual general meeting, or any other proxy to vote or to abstain from voting at the annual general meeting, as he deems fit, in respect of all the shareholder’s votes exercisable thereat.
4. A shareholder or its proxy is not obliged to vote in respect of all the shares held or represented by it, but the total number of votes for or against the resolutions in respect of which any abstention is recorded may not exceed the total number of votes to which the shareholder or its proxy is entitled.
5. Forms of proxy must be lodged and/or posted to the Company’s transfer secretaries (Computershare Investor Services (Pty) Ltd) at 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), to be received by the transfer secretaries by no later than 10:00am (SAST) on Tuesday, 26 January 2021, or handed to the chairman of the annual general meeting at any time prior to the vote.
6. The completion and return of this form of proxy in accordance with point 5 above will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
7. A minor must be assisted by the minor’s parent or guardian, unless the relevant documents establishing the minor’s capacity are produced or have been registered by the Company.
8. Any alterations or corrections to this form of proxy must be initialed by the signatory(ies).
9. This form of proxy must be signed by all joint shareholders. If more than one of those shareholders are present at the annual general meeting either in person or by proxy, the person whose name stands first in the register shall alone be entitled to vote.
10. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Company’s transfer office or waived by the chairman of the annual general meeting.
11. The chairman of the annual general meeting may reject or accept any form of proxy that is completed and/or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.

Shareholders holding dematerialised shares

1. Shareholders who have dematerialised their shares through a central securities depository participant (“CSDP”) or broker (except those shareholders who have elected to dematerialise their shares with “own name” registration) and all beneficial shareholders holding their shares (dematerialised or certificated) through a nominee should provide such CSDP, broker or nominee with their voting instructions in sufficient time to allow them to advise the transfer secretaries of the Company of their voting instructions before the closing time as detailed in point 5 above.
2. All such shareholders wishing to attend the Meeting in person may do so only by requesting their CSDP, broker or nominee to issue the shareholder with a letter of representation in terms of the custody agreement. Such letter of representation must also be lodged with the transfer secretaries before the closing time, as detailed in point 5 above.

Summary of the rights of a shareholder to be represented by proxy

Shareholders' rights regarding proxies in terms of section 58 of the Act are as follows:

At any time, the shareholder of a company may appoint any individual, including an individual who is not a shareholder of that company, as a proxy to:

- participate in, and speak and vote at, a shareholders' meeting on behalf of the shareholder; or
- give or withhold written consent on behalf of the shareholder to a decision contemplated in section 60 of the Act.

A proxy appointment:

- must be in writing, dated and signed by the shareholder; and
- remains valid for:
 - › one year after the date on which it was signed; or
 - › any longer or shorter period expressly set out in the appointment,

unless it is revoked in a manner contemplated in subsection (4)(c) or expires earlier as contemplated in subsection (8)(d) of section 58 of the Act.

Except to the extent that the MOI of a company provides otherwise:

- a shareholder of that company may appoint two or more persons concurrent as proxies, and may appoint more than one proxy to exercise voting rights attached to the different securities held by the shareholder;
- a proxy may delegate the proxy's authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy; and
- a copy of the instrument appointing a proxy must be delivered to the company, or to any other person on behalf of the company, before the proxy exercises any rights of the shareholder at a shareholders' meeting.

Irrespective of the form of instrument used to appoint a proxy:

- the appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder;
- the appointment is revocable unless the proxy appointment expressly states otherwise; and
- if the appointment is revocable, a shareholder may revoke the proxy appointment by
 - › cancelling it in writing, or making a later inconsistent appointment of a proxy; and
 - › delivering a copy of the revocation instrument to the proxy and to the company.

The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder.

Glossary of terms

ASISA	Association for Savings and Investment South Africa
AUA	Assets under administration
AUM	Assets under management
B-BBEE	Broad-based Black Economic Empowerment
CFA	Chartered Financial Analyst
CRISA	Code for Responsible Investing in South Africa
CSDP	Central Securities Depository Participant
CSI	Corporate Social Investment
ESG	Environmental, Social and Governance
FSCA	Financial Sector Conduct Authority
FSC	Financial Sector Code
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IIRF	International Integrated Reporting Framework
IRCSA	Integrated Reporting Council of South Africa
ISAE	International Standard on Assurance Engagements
IT	Information Technology
JSE	The Johannesburg Stock Exchange
King IV	King Code of Governance for South Africa 2016
LISP	Linked Investment Service Provider
Listing Date/Listing	14 October 2015
MOI	Memorandum of Incorporation
Prudential Authority	The South African Reserve Bank
SAICA	South African Institute of Chartered Accountants
SAM	Solvency Assessment and Management
SENS	Stock Exchange News Service
TCF	Treating Customers Fairly

Audited Consolidated Annual Financial Statements

for the year ended
30 September 2020



These financial statements have been prepared under the supervision of the Financial Director, M. Sirkot (CA (SA)). These financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.

Sygnia 

General information

Country of incorporation and domicile

South Africa

Nature of business and principal activities

Sygnia Limited and its subsidiaries (“the Group”) is a specialist financial services group headquartered in South Africa and listed on the Johannesburg Stock Exchange (“JSE”) and A2X Market (“A2X”). The Group focuses on the provision of investment management and administration solutions to institutional and retail clients located predominantly in South Africa.

Directors

Name	Date of appointment	Date of resignation
HI Borat (Chairman) #	11/06/2015	
G Cavaleros (Lead Independent) *#	28/06/2019	
MF Wierzycka (CEO)	17/09/2007	
DR Hufton (CEO)	01/09/2018	
M Sirkot (Financial Director)	16/01/2019	
IK Moyane *#	10/09/2015	31/03/2020
MH Jonas #	01/09/2018	
A Crawford-Brunt #	01/11/2018	
R Sithubi *#	26/02/2019	
C Appana *#	08/09/2020	

* Independent # Non-executive

/ General information

Registered office:

7th Floor, The Foundry
Cardiff Street
Green Point
8001

Postal address:

PO Box 51591
Waterfront
8002

Auditor:

Mazars
Mazars House
Rialto Road
Grand Moorings Precinct
7441 Century City
South Africa

Company secretary:

G MacLachlan
Appointed: 01/11/2016

Company registration number:

2007/025416/06

Sponsor:

The Standard Bank of South Africa Limited

JSE share code:

SYG

ISIN code:

ZAE000208815

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Directors' responsibility for financial reporting

The directors are responsible for the preparation and fair presentation of the consolidated annual financial statements of Sygnia Limited ("the Group"). The annual financial statements comprise the Directors' report, Audit and Risk Committee report, report by the company secretary and the financial statements. The financial statements comprise the consolidated statement of financial position at 30 September 2020, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the consolidated financial statements which include a summary of significant accounting policies and other explanatory notes. The financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB"), Financial Reporting Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the Group to continue as a going concern and have no reason to believe that the businesses will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the consolidated financial statements are fairly presented in accordance with the applicable financial reporting framework.

The directors, whose names are stated below, hereby confirm that -

- (a) the financial statements set out on pages 90 to 138, fairly present in all material respects the financial position, financial performance and cash flows of the Group in terms of IFRS;
- (b) no facts have been omitted or untrue statements made that would make the financial statements false or misleading;
- (c) internal financial controls have been put in place to ensure that material information relating to the Group have been provided to effectively prepare the financial statements of the Group; and
- (d) the internal financial controls are adequate and effective and can be relied upon in compiling the financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the Audit and Risk Committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

Approval of annual financial statements

The consolidated annual financial statements were approved by the board of directors on 7 December 2020 and signed on its behalf by:



Magda Wierzycka
Chief Executive Officer



David Hufton
Chief Executive Officer

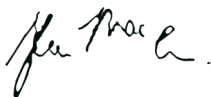


Murad Sirkot
Financial Director

/ Director's responsibility for financial reporting

Report by the company secretary for the year ended 30 September 2020

In terms of S88(2)(e) of the Companies Act 2008, as amended and for the year ended 30 September 2020, I, Glen MacLachlan, in my capacity as company secretary of Sygnia Limited, hereby certify that Sygnia Limited has lodged all returns required by the Act with the Companies and Intellectual Property Commission and that all such returns are true, correct and up to date.



Glen MacLachlan

Company Secretary

Cape Town

7 December 2020

Directors' report

The directors have pleasure in presenting their report on the activities of the Group for the year ended 30 September 2020.

Main business and operations

Highlights

- Assets under management and administration of R251.8 billion as at 30 September 2020 (2019: R238.4 billion), up 5.6%.
- Revenue of R661.0 million (2019: R508.1 million), up 30.1%.
- Profit after tax of R206.1 million (2019: R125.9 million), up 63.7%.
- Headline earnings per share of 146.4 cents (2019: 87.9 cents), up 66.6%, and diluted headline earnings per share of 143.7 cents (2019: 87.3 cents), up 64.6%.
- Total dividend per share of 110.0 cents (2019: 60.0 cents).

Financial performance

Despite 2020 being a very challenging and economically turbulent environment for cyclical businesses such as Sygnia, the company's assets under management and administration increased by 5.6% to R251.8 billion as at 30 September 2020 (2019: R238.4 billion). During the same period the FTSE/JSE All Share Index returned 2.0%, the JSE All Bond Composite Index 3.6% and the MSCI World Index, in SA Rands, 21.6%. The growth has also taken place in an environment where the institutional savings market is shrinking by virtue of almost negligible economic growth, corporate closures and mass retrenchments in South Africa.

Sygnia's most notable achievement in the past year was the top quartile performance of most of its investment funds across all risk categories and asset classes as compared to its multi-manager and single manager peers. This compounds the already exceptional performance that we have delivered to our investors since the inception of the company in 2006 positioning the performance of our funds at the top of competitor surveys over most timeframes. This performance is a mixture of low-cost strategies and a strong focus on macroeconomic trends, which drive active asset allocation decisions. Our top performance has been a strong factor behind our growing presence in the retail market.

In addition, the Group has launched new products and services in line with its interpretation of customers' demands and regulatory trends, contributing to the growth in its revenue.

Sygnia's focus on low-cost investment and savings products and service provision has meant that, in contrast to our competitors, we have experienced little pressure on management fees. Our past initiatives, such as the launch of the Sygnia Umbrella Retirement Funds (SURF) in 2016 and the acquisition of the db X-tracker passive management business from Deutsche Bank in 2017 (renamed to Sygnia Itrix), are also starting to contribute materially to the Group's results, both financially and in terms of market recognition and profile. SURF is now the sixth largest umbrella fund offering in South Africa, while Sygnia Itrix is the second largest provider of ETFs listed on the JSE.

In terms of financial performance, total revenues, at R661.0 million, rose by 30.1% (2019: R508.1 million), while total expenses, at R381.9 million, increased by 12.5% (2019: R339.4 million). The increase in expenses was primarily driven by higher staff costs associated with increased business activity, an increase in trading, custody and administration costs and marketing expenditure. This is partially offset by a decrease in third-party investment management fees paid, once-off expenses associated with entering the UK market and an impairment to the Bitcoin exchange project in the prior year. The increase in finance costs to R16.4 million (2019: R12.4 million) primarily relates to the IFRS 16 finance costs on corporate office leases. The Group generated a gain on invested capital of R8.5 million (2019: R0.7 million loss). The loss in the prior period was mainly due to closing out of equity and currency investments, which were substituted for interest income instruments.

Profit after tax increased by 63.7% to R206.1 million (2019: R125.9 million) in spite of difficult market conditions.

/ Director's report

The Group continues to invest in technology to ensure that Sygnia continues to offer leading fintech solutions and exceptional service to clients. Its offshore expansion is not expected to contribute materially to the results for the foreseeable future, but is regarded as an exciting opportunity to diversify its revenues.

Corporate strategy

Sygnia has a very clear business strategy. We offer:

- Asset management services in the form of passive and multi-managed investments;
- A broad spectrum of investment funds, such as unitised life funds, unit trusts, Exchange Traded Funds and segregated portfolios;
- A full range of savings products, including retirement annuities, tax-free savings accounts, endowments, living annuities, and preservation funds;
- Institutional investment administration services;
- Retail LISP platform services;
- Treasury services;
- Employee benefits services, including SURF; and
- Execution-only stockbroking.

We aim to continue to grow organically, although we may conclude strategic acquisitions where these are regarded as being value-accretive and consistent or complementary to our core strategy.

Regulatory changes

The 2019 Default Regulations governing retirement funds continue to present an opportunity for Sygnia. All retirement funds must now consider passive investment options in their design and review of member default investment strategies and must ensure that those strategies offer value for money. Sygnia's house view fund ranges – Sygnia Signature and Sygnia Skeleton – are ideally placed to meet the default strategy requirements. In addition, given its retail administration platforms and products, Sygnia is well positioned to offer a seamless transition into the same-cost savings funds to members of retirement funds when leaving employment or retiring. The ASISA Standard: Retirement Savings Cost ("RSC") Disclosure came into effect on 1 September 2019 and sets out the minimum standards for fee and expense disclosure by commercial umbrella funds at a participating employer level. Commercial umbrella funds also have until 31 March 2021 to disclose all costs at a member level in terms of the ASISA Retirement Fund Standard: Effective Annual Cost ("EAC") For Individual Fund Members, which came into effect on 1 October 2020 and aligns with the EAC disclosure for retail investors required since 2016 .

The increased level of disclosure is onerous for many but is nothing new for Sygnia. As the lowest-cost savings product provider in South Africa, the Group has long been at the forefront of fee disclosures and expects to benefit from these improved and standardised levels of transparency in the investment industry.

Market conditions

Coming into our 2020 financial year, South Africa was working its way out from under the boot of a decade of corruption under the Zuma administration, and there was great optimism that we could find a way out of the downward spiral of the “lost decade”. Unfortunately, the emergence of the coronavirus, and its impact on the global economy, has ceased any nascent recovery and, in fact, accelerated all of the worst trends in South Africa – inequality, corruption and unemployment.

The first quarter of 2020 saw the fastest bear market in history as the S&P 500 experienced a 34% sell-off from its high on 19 February to its low on 23 March. Central banks around the world responded with increased quantitative easing, driving real interest rates even further into negative territory. Mercifully, markets stabilised, with the Dow Jones Industrial Average surging 17.8% over the next quarter, its strongest quarter since 1987, and the S&P 500 soaring nearly 20%, its best quarterly gain since 1998. Unfortunately, the extraordinary response by central banks and governments led to 70-year-high levels of sovereign indebtedness, which economies and markets must now find ways to unwind.

Two years ago we positioned the Sygnia portfolios for what we saw as the “Japanification” of global markets, exemplified by Japan's experience thirty years ago, when low inflation, low interest rates and declining demographics led to high debt levels, low growth and increased volatility. Europe entered a similar stage about a decade ago, but the US and China were not expected to enter such a state for some time. Covid-19 accelerated the process, however, and it has become the new normal that investors must now navigate. Interest rates in the US are close to zero and, with US\$7 trillion in projected fiscal stimulus, debt levels in the US now stand at above US\$25 trillion.

South Africa continues to lag global markets in the wake of the pandemic, with the FTSE/JSE SWIX Index the worst-performing market in US dollar terms for the year-to-date to 30 September 2020. For the 12 months to 30 September, the FTSE/JSE SWIX returned -2.2%, while the MSCI World Index returned 21.6% (in rand terms), reflecting our economy's continued fall from grace with global investors.

South Africa lost its final investment grade rating on the same day that the country entered lockdown, when Fitch downgraded the country to junk status, causing South Africa's exclusion from the influential World Government Bond Index and leading foreigners to sell down their holdings in South African bonds. Where foreigners once held close to 43% of our government debt, today that stands below 30%, despite South Africa providing some of the highest real yields in the world. Global investors have increasing concerns about South Africa becoming a “failed state”, where debt levels reach unsustainable levels and the government runs out of options to repay interest due on loans.

Unless the South African government can convince global investors that they have a plan to manage their way out of this situation and to generate growth, the downward spiral will snowball and lead to social unrest. Global investors will demand higher rates of return to loan money to South Africa, and South Africa will in turn have to borrow ever increasing amounts to repay interest on the debt due. Spending needs for social programmes will also increase due to rising unemployment, stressed schooling and health systems and electricity generation.

We do not believe South Africa is at the point of becoming a failed state just yet, but we are in the final minutes of the game, and there is now no room for error or equivocation. Without growth, South Africa will remain mired in a debt crisis, with the inevitable result being a trip to the International Monetary Fund and the unpalatable austerity measures they will attach to any loans given. A strong social compact is in the making between labour, business and government, which could pave the way to success. But if South Africa is to avoid a debt trap, it must throw off the shackles of corruption and commit to doing what is right. The well-published pension-public-private partnership model is an example of a new era of growth. In short, while we recognise that the South African economy is on a precipice, it can still step back by cutting spending, investing for growth and creating the jobs that will help the nation fulfil the potential we know it possesses.

/ Director's report

A number of positive catalysts have raised the prospects for global growth in 2021, including the Biden presidency, the 14th Chinese 5 year plan, a weaker dollar and the successful phase 3 trials of a number of vaccines. As a small open commodity producing economy, South Africa is geared to global growth, particularly in China, and these improved prospects offer a glimmer of hope for 2021.

Events subsequent to the reporting date

The directors are not aware of any matters or circumstances, arising since the end of the financial period, not otherwise dealt with in the consolidated annual financial statements that significantly affect the financial position of the Group or the results of its operations.

Going concern

The consolidated annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Stated capital

Sygnia Limited had 148 402 374 (2019: 152 242 847) shares in issue at the end of the year. 4 319 041 shares were repurchased by the Company and 478 568 shares were issued due to share options being exercised.

Final cash dividend

Sygnia is committed to rewarding its shareholders with regular distributions of free cash flow generated. Accounting for projected cash requirements, a gross final dividend for the financial year ended 30 September 2020 of 70.0 cents per share has been declared out of income reserves, resulting in a net dividend of 56.0 cents per share for shareholders after Dividends Tax ("DT"). Together with the interim gross dividend of 40.0 cents per share, this amounts to a total gross dividend of 110.0 cents per share (2019: 60 cents per share).

Special resolutions

At the annual general meeting of the Company held on 30 January 2020, the following special resolutions were passed:

Special Resolution 1: To approve remuneration of non-executive directors

To resolve that fees payable by the Company to directors for their services as directors (in terms of section 66(9) of the Act) be and are hereby approved for a period of one year from the passing of this special resolution or until its renewal, whichever is the earlier.

Special Resolution 2: To authorise the repurchase of shares

To resolve that, in accordance with Sygnia's memorandum of incorporation, it is hereby approved as a general authority contemplated in the JSE Listings Requirements, the acquisition by Sygnia, or any of its subsidiaries from time to time, of the issued ordinary shares of Sygnia, upon such terms and conditions and in such amounts as the directors of Sygnia may from time to time decide.

Special Resolution 3: To provide financial assistance to subsidiaries and related or inter-related companies

To resolve that the Company is authorised to provide any direct or indirect financial assistance as contemplated in section 45 of the Act to any related or inter-related company or juristic person, in terms of and pursuant to the provisions of section 45 of the Act.

Special Resolution 4: To provide financial assistance for the subscription or purchase of securities

To resolve that the Company is authorised to provide financial assistance as contemplated in section 44 of the Act to any person for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or inter-related company, or for the purchase of any securities of the Company or a related or inter-related company, in terms of and pursuant to the provisions of section 44 of the Act.

Audit and Risk Committee report

for the year ended 30 September 2020

The Sygnia Group Audit and Risk Committee (ARC) is a committee of the board of directors (board) and, in addition to its statutory duties, serves in an advisory capacity to the board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, risk management and internal controls, the review of financial information and the preparation by management of the annual financial statements. This includes satisfying the board that adequate internal, operating and financial controls are in place.

Terms of reference, responsibilities and legal requirements

In order to optimise efficiencies and to eliminate unnecessary duplication, the Group's separate Audit and Risk committees were combined to form the ARC effective June 2020. All regulatory requirements were considered and adhered to in merging the two governance bodies. The ARC operates within a revised formal and board approved charter which is reviewed and adapted by the Committee on an annual basis (or earlier if required) to cater for evolving oversight, regulatory and other requirements. The ARC, including its predecessor committees are satisfied that they have conducted their affairs and discharged their duties and responsibilities in accordance with their terms of reference, the JSE Listings Requirements, the Companies Act and the King IV™ Report on Corporate Governance.

Composition and meeting process

The ARC's members at the Group's financial year-end were Mr G Cavaleros (Chairman), Ms R Sithubi and Ms C Appana who was appointed on 8 September 2020 following Mr K Moyane's resignation. Committee members are independent non-executive directors who met four times during the year with senior management, including the Financial Director, the head of risk, certain other executive management as well as the assurance providers. The internal and external auditors have unfettered access to the ARC and its chairman and attend the Committee meetings.

External audit quality, independence and fees

The ARC considered and satisfied itself with the audit quality and independence of Mazars and Ms Y Ferreira in their respective capacities as the appointed external audit firm and lead audit partner. In doing so, the ARC considered the external auditor's suitability assessment and adherence in terms of paragraph 3.84(g)(iii) and section 22.15(h) of the JSE Listings Requirements. The ARC also reviewed the audit quality based on the Committee's own assessment in addition to considering the documents presented by Mazars, as required by the JSE Listings Requirements, and found it to be satisfactory.

Furthermore, the ARC ensured that the scope of non-audit services rendered by Mazars did not impair auditor independence.

The ARC will recommend to shareholders at the Group's annual general meeting that Mazars be re-appointed as the Group's auditors and Ms Y Ferreira as the designated partner for the year ending 30 September 2021.

Internal audit, internal financial controls and fraud or misconduct

Mr D Hufton, Group CEO, was appointed head of the internal audit control function, with PwC, led by Mr W de Bruin, continuing to perform the internal audit activities in terms of an outsourced service arrangement. Internal audit has unrestricted access to those charged with governance. The ARC approved and monitored the internal audit plan (scope and timing adapted to cater for COVID 19), considered the results of the reviews performed by internal audit, and ensured that processes have been implemented by management to ensure that the necessary corrective action is taken to address internal audit's findings. Internal audit has not identified any significant weakness in the design, implementation or execution of financial and Group information systems controls.

/ Audit Committee report

The Committee satisfied itself that the internal audit function is independent and had the necessary resources, standing and authority to discharge its duties. The Committee confirmed the reappointment of PwC as internal auditors and approved the 2021 internal audit plan for the Group.

The ARC is not aware of any instances of fraud or misconduct, or any material compliance breaches during the current period.

Effectiveness of the Financial Director and the finance function

In terms of JSE Listings Requirement 3.84(h), the Committee considered and satisfied itself of the effectiveness of the Financial Director, Murad Sirkot, as well as the experience and adequacy of resources within the Group's finance function.

Risk management

The ARC reviewed and approved the Group-wide risk management practices, and ensured that the executive team had implemented:

- robust processes to identify and assess the Group's risk exposures;
- a risk management infrastructure capable of mitigating such risks within an approved risk appetite; and
- practices allowing for prompt communication of key risk-related matters to the ARC.

Combined assurance

Sygnia has developed and implemented a combined assurance model in respect of its key risks. During the current financial year, this model was reviewed regularly and refined as appropriate to enhance its effectiveness and to cater for emerging risk exposures. For each risk where combined assurance required enhancement, an action plan was developed and monitored. Combined assurance is evaluated against the Group's board approved risk appetite. The Committee's view is that the current combined assurance arrangements are sufficiently robust in order to achieve their objectives.

COVID-19

The Sygnia board and executive management team took primary responsibility for considering and addressing risks associated with the global pandemic.

The ARC evaluated managements' judgments and assumptions applied in valuing the Group's assets and liabilities and in calculating the potential impairments of both tangible and intangible assets. These were found to be reasonable. In light of the JSE's financial reporting requirements, the ARC also considered the financial statement disclosure in respect of COVID-19, not only to comply with the JSE's expectations but to also ensure the inclusion of fair, balanced and transparent information.

Finally, in light of COVID-19 uncertainties, the ARC considered the Group's going concern status with reference in particular to expected future cash flows, trading performance and balance sheet stresses. Consequently, the Committee was comfortable to recommend the applicability of the going concern basis of accounting to the board.

Annual financial statements

The Committee reviewed the accounting policies, significant accounting matters as well as the going concern assessment applicable to the Group's 2020 consolidated annual financial statements, and ensured that the consolidated annual financial statements and the related results announcements were, in all material respects, in compliance with the provisions of the Companies Act, IFRS and the JSE Listings requirements. The ARC also considered matters, including those emanating from the JSE's pro-active monitoring process in respect of accounting policies and financial reporting as well as numerous other matters communicated by the JSE over the past few months in respect of reporting and disclosure, with specific reference to its requests in respect of COVID-19 disclosures. The Committee is satisfied that appropriate financial reporting procedures exist and are operational within the Group in order to effectively prepare, and report on, the financial statements.

As fully explained in note 1 of the consolidated annual financial statements, the 2019 disclosure of cash collateral held by the Group in respect of securities lending activities has changed and the relevant balances on the statement of financial position have been restated. This change in disclosure did not have any impact on the Group's financial position or earnings.

The Committee is satisfied that the consolidated annual financial statements fairly present the financial position of the Group at 30 September 2020 and the results of its operations and cash flows for the year then ended. The consolidated annual financial statements and results announcement were recommended to the board for approval.

Consideration of key audit matters

The Audit and Risk Committee engaged with the external auditors with respect to the key audit matters raised by Mazars in their report set out on pages 85 to 89. In addition, the ARC considered the work performed in addressing those matters and is satisfied that the matters had been dealt with appropriately.

Integrated report

In compliance with the requirements of the King Report on Governance of South Africa 2016 and the JSE Listings Requirements, an Integrated Report has been compiled for the 2020 financial year in addition to these consolidated annual financial statements. The Committee has reviewed the contents of the Integrated Report and recommend its approval by the board.



George Cavaleros
Chairman of the Audit and Risk Committee

7 December 2020

Independent auditor's report

to the shareholders of Sygnia Limited

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Sygnia Limited and its subsidiaries (the Group) set out on pages 90 to 138, which comprise the consolidated statement of financial position as at 30 September 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 September 2020, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards 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 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). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. All key audit matters relate to the consolidated financial statements.

Valuation of unlisted investment (note 30)

Key audit matter

The Group's accounting policy in note 1 states that investments in unlisted entities are measured at fair value through profit or loss.

The Group's investments linked to policyholder liabilities includes an investment in a limited liability partnership of R1.9 billion (2019: R1.2 billion). The value of the investment in the limited liability partnership is determined with reference to the fair value of its own investment in Oxford Sciences Innovation PLC.

The investments linked to policyholder liabilities also includes direct investments held in Oxford Sciences Innovation PLC with a value of R46 million (2019: R nil).

Given the significance of the estimates and the judgments involved in the valuation of the investment by management, we have assessed that the investment warrants significant audit focus. Should the inputs into the valuation be incorrect, this could result in the valuation of the investment being materially misstated in the financial statements and therefore warrants specific audit focus.

Audit response

We performed a combined audit approach to assess the valuation of the unlisted investment balances at year end. We performed the following procedures:

- We have sent group reporting instructions to the component auditor of the limited liability partnership in terms of the requirements of ISA600;
- We assessed the competence, independence and experience of the component auditor to be able to conclude on our ability to rely on the opinion provided on the accounts of the limited liability partnership;
- We reviewed the responses received from the instructions received from the component auditor to determine whether the methodologies, extent and scope of the procedures performed are consistent with the ISA's;
- We have assessed that the valuation techniques applied in the determination of the fair value of the investment in Oxford Sciences Innovation PLC to obtain assurance that it is compliant with the measurement requirements of IFRS 13; and
- We have assessed the presentation of the investment in Oxford Sciences Innovation PLC, and of the investment in the limited liability partnership in the financial statements for compliance in terms of the IFRS.

Having performed our audit procedures and evaluated the outcomes were satisfied that the audit evidence obtained were sufficient and appropriate to gain assurance over the fair value of the investment in Oxford Sciences Innovation PLC. We concluded that our audit procedures appropriately addressed the key audit matter.

Impairment of goodwill and management contract intangible asset (note 3)

Key audit matter

The Group's accounting policy in note 1 of the consolidated financial statements states that goodwill and the management contract intangible asset is measured at cost less any accumulated impairment loss.

The Group has material goodwill and management contract balances which equals 0.40% (2019: 0.43%) of the total assets in the statement of financial position.

The recoverable amounts of the goodwill and management contract have been determined by management using the value in use calculations. The valuation techniques applied by management involve significant estimation and judgement.

These estimates and assumptions used in determining the discounted cash flow include among others:

- Risk-free rate;
- Discount rates;
- Tax rates; and
- Growth & terminal growth rates.

The significance of the estimates and judgements involved, coupled with the high number of individual estimates performed, could result in a material misstatement and therefore warrants specific audit focus.

Audit response

We performed the following audit procedures on the impairment tests at the lowest level of cash generating units to which the goodwill and management contract has been allocated:

- We recalculated the valuation obtained from management to assess the mathematical accuracy thereof;
- We assessed the valuation methodology and key assumptions used in determining the valuation of the recoverable amount which included a comparison to the actual historic results, management budgets and external market information as well as an assessment of the reasonability of the discount rate used;
- We performed a sensitivity analysis on the significant assumptions and compared it to the overall recoverable amounts; and
- We assessed the adequacy of disclosures with regard to the goodwill and management contract held in the consolidated financial statements.

Having performed our audit procedures and evaluated the outcomes we concluded that our audit procedures appropriately addressed the key audit matter.

/ Independent auditor's report

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Sygnia Limited's Integrated Report 2020" and in the document titled "Audited Consolidated Annual Financial Statements for the year ended 30 September 2020" which includes the Directors' Report, the Audit and Risk Committee Report, the Report by the Company Secretary as required by the Companies Act of South Africa and the Analysis of Shareholding. The other information does not include the consolidated or the separate financial statements and our auditor's reports thereon.

Our opinion on the consolidated 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 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 financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. 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 financial statements

The directors are responsible for the preparation and fair presentation of the consolidated 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated 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 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

/Independent auditor's report

- 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 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 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 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion. .

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated 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.

Auditor's responsibilities for the audit of the financial Statements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Mazars has been the auditor of Sygnia Limited for two years.

Mazars



Partner: Yolandie Ferreira
Registered Auditor
7 December 2020

Mazars House
Rialto Road
Grand Moorings Precinct
7441
Century City
South Africa

Consolidated statement of financial position

as at 30 September 2020

	Notes	2020 R'000s	2019 R'000s
Assets			
Intangible assets	3	428 526	431 392
Property and equipment	4	27 479	32 789
Loans receivable	9	55 114	53 232
Right-of-use assets	5	47 894	-
Deferred tax assets	6	6 046	9 352
Tax receivable		-	2 551
Investments linked to investment contract liabilities	7.1	106 675 742	96 359 236
Other receivables		4 234	3 137
Trade receivables	10	73 415	93 814
Investments	8	339 244	258 448
Amounts owing by clearing houses	11.1	831	-
Amounts owing by clients	11.2	95 380	306 294
Cash and cash equivalents	12	259 683	174 960
Total assets		108 013 588	97 725 205
Equity			
Stated capital	13	603 173	641 494
Retained earnings		308 129	209 091
Other reserves		(208 461)	(211 305)
Total equity		702 841	639 280
Liabilities			
Loan payable	15	90 366	50 365
Preference share liability	17	100 000	135 000
Lease liabilities - Non-current	16	32 057	-
Deferred tax liabilities	6	74 039	75 153
Third-party liabilities arising on consolidation of unit trust funds	14	3 700 524	2 644 032
Investment contract liabilities	7.2	102 970 945	93 712 925
Tax payable		1 662	10 706
Lease liabilities - Current	16	18 997	-
Trade and other payables	18	225 792	150 941
Amounts owing to clearing houses	11.1	24 740	180 985
Amounts owing to clients	11.2	71 625	125 818
Total liabilities		107 310 747	97 085 925
Total equity and liabilities		108 013 588	97 725 205

Consolidated statement of profit or loss and other comprehensive income

for the year ended 30 September 2020

	Notes	2020 R'000s	2019 R'000s
Revenue	21	661 009	508 107
Operating expenses	21	(381 886)	(339 394)
Profit from operations	21	279 123	168 713
Investment contract income	19	11 279 447	5 982 501
Transfer to investment contract liabilities	20	(11 279 447)	(5 982 501)
Interest income		26 315	26 266
Other investment income/(loss)	22	8 536	(701)
Finance costs		(16 408)	(12 399)
Profit before tax		297 566	181 879
Income tax	23	(91 484)	(55 938)
Profit after tax		206 082	125 941
Other comprehensive income			
<i>Items that may subsequently be reclassified to profit or loss:</i>			
Foreign currency translation reserve		(6)	(18)
Total comprehensive income for the year		206 076	125 923
Earnings per share (cents)	24		
Basic		146.4	86.4
Diluted		143.7	85.8

Consolidated statement of changes in equity

for the year ended 30 September 2020

	Notes	Stated capital R'000s	Other reserves R'000s	Share-based payment reserve R'000s	Retained earnings R'000s	Total equity R'000s
Balance at 1 October 2018		665 901	(252 884)	40 427	170 819	624 263
Total comprehensive income for the year		-	(18)	-	125 941	125 923
Dividends paid *		-	-	-	(87 669)	(87 669)
Share-based payment expense	21	-	-	2 166	-	2 166
Ordinary shares repurchased	13	(27 311)	-	-	-	(27 311)
Issue of shares relating to share options exercised	13	1 908	-	-	-	1 908
Transfer between share based payment reserve and stated capital for share options exercised	13	996	-	(996)	-	-
Balance at 30 September 2019		641 494	(252 902)	41 597	209 091	639 280
Adjustment on initial application of IFRS 16		-	-	-	(1 001)	(1 001)
Adjusted balance at 1 October 2019		641 494	(252 902)	41 597	208 090	638 279
Total comprehensive income for the year		-	(6)	-	206 082	206 076
Dividends paid **		-	-	-	(106 043)	(106 043)
Share-based payment expense	21	-	-	4 109	-	4 109
Ordinary shares repurchased	13	(42 037)	-	-	-	(42 037)
Issue of shares relating to share options exercised	13	2 457	-	-	-	2 457
Transfer between share based payment reserve and stated capital for share options exercised	13	1 259	-	(1 259)	-	-
Balance at 30 September 2020		603 173	(252 908)	44 447	308 129	702 841

* Dividends per share - 60 cents

** Dividends per share - 75 cents

Other reserves relate to equity acquired in subsidiaries from minority shareholders in prior periods, as well as business combinations under common control in which the consideration exceeded the carrying value of the net assets acquired and a foreign currency translation reserve.

Consolidated statement of cash flows

for the year ended 30 September 2020

	Notes	2020 R'000s	2019 R'000s
Cash flows from operating activities			
Cash flows from operations	27	407 664	183 040
Dividends received		80	85
Interest received		25 025	25 689
Interest paid		(16 430)	(11 220)
Tax paid		(96 881)	(47 402)
Net cash flows from operating activities		319 458	150 192
Cash flows from investing activities			
Additions to property and equipment	4	(2 550)	(12 847)
Additions to intangible assets	3	-	(4 297)
Loans advanced		(3 855)	(40 494)
Loans repaid		1 973	-
Purchase of investments		(244 457)	(81 230)
Proceeds on sale of investments		169 629	84 257
Net cash flows from investing activities		(79 260)	(54 611)
Cash flow from financing activities			
Dividends paid		(106 043)	(87 669)
Issue of ordinary shares	13	2 457	1 908
Preference share redemption	17	(35 000)	(15 000)
Ordinary shares repurchased	13	(42 037)	(27 311)
Loan advanced	15	40 000	50 000
Lease liabilities paid - principal portion	16	(13 532)	-
Net cash flows from financing activities		(154 155)	(78 072)
Net change in cash and cash equivalents		86 043	17 509
Cash and cash equivalents at beginning of the year	12	174 960	157 451
Exchange gains on cash and cash equivalents		(1 320)	-
Cash and cash equivalents at end of year	12	259 683	174 960

Note to the statement of cash flows:

Cash held in overnight settlement accounts on behalf of policyholders of Sygnia Life and clients of Sygnia Collective Investments (RF) Proprietary Limited is included on the face of the statement of financial position under "Cash and cash equivalents" with a corresponding payable to clients included in trade and other payables (unsettled trades). This results in the movement in these cash amounts being disclosed in the statement of cash flows. Changes in these amounts are shown under the "Changes in working capital", under the "Cash flows from operating activities" section on the statement of cash flows. These cash amounts fluctuate on a daily basis and can result in significant fluctuations if comparing "Changes in working capital" between reporting periods.

Notes to the consolidated annual financial statements

for the year ended 30 September 2020

1. Accounting policies

The consolidated financial statements comprise Sygnia Limited and its subsidiaries ("the Group"). The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for the mandatory adoption of IFRS 16 - Leases ("IFRS 16") in the current year for the first time on 1 October 2019 as well as the prior year disclosure restatement of investments linked to investment contract liabilities and investment contract liabilities (refer below).

Impact of adopting IFRS 16 on 1 October 2019

IFRS 16 provides the principles for the recognition, measurement, presentation and disclosure of leases and requires all lessees to account for all leases under a single on-balance-sheet model. The Group adopted IFRS 16 using the modified retrospective approach, and has not restated comparatives for the 2019 reporting year. The cumulative effect of adopting this standard is recognised as an adjustment to retained earnings at the beginning of the current year. The Group leases corporate office space in three locations in South Africa and one in London, England. The Group has recognised all right-of-use assets at 1 October 2019 at their carrying amounts as if IFRS 16 had been applied since the commencement date of the lease, discounted using the incremental borrowing rate at the date of initial application.

The Group applied a weighted average incremental borrowing rate to lease liabilities recognised during the period of 8.2%.

The comparative information has not been restated and complies with the requirements of IAS 17 - Leases. The impact of adopting IFRS 16 is explained below.

The following is a reconciliation of the operating lease commitments as at 30 September 2019 to the lease liabilities recognised on 1 October 2019:

	R'000
Operating lease commitments as at 30 September 2019	37 773
Recognition exemption in respect of short-term leases	(5 989)
Operating lease liabilities before discounting	31 784
Discounting effect using the incremental borrowing rate	(3 336)
Lease liabilities recognised under IFRS 16 at 1 October 2019	28 448

/ Notes to the consolidated annual financial statements

1. Accounting policies (cont.)

The impact of the transition to IFRS 16 on 1 October 2019 on the statement of financial position is as follows:

	As previously stated R'000	Impact of adopting IFRS 16 R'000	Balances after adopting IFRS 16 R'000
Right-of-use assets	-	25 999	25 999
Deferred tax assets	9 352	366	9 718
Retained earnings	209 091	(1 001)	208 090
Lease liabilities	-	28 448	28 448
Trade and other payables	150 941	(1 082)	149 859

For the year ended 30 September 2020, the total profit for the period and earnings per shares were negatively impacted by R0.6 million and 0.4 cents per share respectively.

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

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

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

Disclosure restatement to the 2019 Consolidated Statement of Financial Position

In the 2019 financial year, cash collateral deposits of R 3 888 263 000 held by the Group in terms of securities lending arrangements, as well as the Group's obligation to repay similar amounts to the securities lending counterparties, were included in "Investments linked to investment contract liabilities". Such disclosure was informative in that it allowed users of the financial statements to fully appreciate the Group's financial position, as well as its obligations to securities lending counterparties, thus achieving a fair portrayal within the consolidated annual financial statements.

The criteria for offset as envisaged by IAS 32 do not however fully apply. In order to amend and enhance disclosure, the Group's obligations to repay cash collateral deposits to security lending counterparties are now reflected in "Investment contract liabilities". The change in such disclosure did not have any impact on the Group's financial position or earnings.

/ Notes to the consolidated annual financial statements

As a consequence of such amendment and enhanced disclosure, certain restatements have been made to both “Investments linked to investment contract liabilities” and “Investment contract liabilities” as follows:

2019
R'000s

Consolidated statement of financial position

Assets

Investments linked to contract liabilities previously reported	92 470 973
Cash collateral received relating to securities lent	3 888 263
Investments linked to contract liabilities restated as at 30 September 2019	96 359 236

Liabilities

Investment contract liabilities previously reported	89 824 662
Collateral payable relating to securities lent	3 888 263
Investment contract liabilities restated as at 30 September 2019	93 712 925

No restatement of the 2018 Consolidated statement of financial position is required, as 2019 was the first year that these transactions were entered into.

This restatement has had no impact on the following results previously reported by the Group:

- Consolidated profit before and after tax;
- Earnings per share (basic and diluted);
- Headline earnings per share (basic and diluted);
- Dividends per share;
- Net asset value of the Group nor net asset value per share;
- Tangible net asset value per share.

Basis of preparation

The financial statements have been prepared on a going concern basis, in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), Financial Reporting Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

The consolidated annual financial statements are presented in Rands, which is the functional currency of the Group, and are prepared on the historical cost basis, unless stated otherwise in the accounting policies below. All financial information presented has been rounded to the nearest thousand Rand, unless otherwise indicated.

1. Accounting policies (*cont.*)

Forthcoming requirements

There are no new or revised Accounting Standards and Interpretations in issue, but not yet effective, that have a material impact on the business of the Group.

Basis of consolidation

The acquisition method of accounting is used to account for the acquisition of subsidiaries and businesses by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired, is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss.

The Group acts as a fund manager to collective investment schemes. In determining whether the Group controls such a scheme, it assesses the aggregate economic interests of the Group (investment management fees) and the investor's rights to remove the fund manager. The non-controlling interests in the collective investment scheme consolidated by the Group are classified as third-party liabilities arising on consolidation of unit trust funds, a financial liability, in the consolidated statement of financial position. These interests are classified at fair value through profit or loss and measured at fair value, which is equal to the published closing price of the number of units of the investment funds' scheme not owned by the Group.

Intangible assets

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 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, which are reflected in profit or loss. Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the combination for the purpose of impairment testing. The impairment is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Management contracts

Management contracts represent the contracts between Sygnia Itrix and the five exchange traded funds that were acquired with the acquisition of DBX-trackers from Deutsche Bank. These management contracts represent a relationship between the ETF and the management company and, as a result, there is a right for the management company to earn a revenue stream from the ETFs, which in turn will generate revenue from ETF unit holders. The management contract intangible asset has an indefinite life as the ETFs from which the revenue stream is to be derived as a result of the management contracts will exist for the foreseeable future and no terminal point has been identified at year end.

Customer relationships

a) Acquired contracts with clients

Acquired contracts with clients are shown at cost less accumulated amortisation and impairment. The carrying amount of each cash-generating unit is reviewed for impairment when an impairment indicator is identified.

1. Accounting policies (*cont.*)

b) Investment plan

The investment plan represents client relationships associated with the investment plan acquired with Sygnia Itrix. These clients are directly associated with the ownership of Sygnia Itrix and therefore required valuation in terms of the purchase price allocation valuation as a defined revenue stream was associated with those relationships.

Computer software

a) Internally-generated computer software

Expenditure on research activities is recognised as an expense in the year in which it is incurred. Expenditure is capitalised if all of the following have been demonstrated:

- the technical feasibility of completing the computer software, so that it will be available for use or sale,
- the intention to complete the computer software and use or sell it,
- the ability to use or sell the computer software,
- how the computer software will generate probable future economic benefits,
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the computer software,
- the ability to reliably measure the expenditure attributable to the computer software during its development, and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group.

The amount initially recognised for internally-generated computer software is the sum of the expenditure incurred from the date when the computer software first meets the recognition criteria listed above. When the costs incurred no longer meet the recognition criteria, capitalisation of expenses cease and no internally-generated computer software is recognised. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the asset. Subsequent to initial recognition, internally-generated computer software is stated at cost less accumulated amortisation and accumulated impairment losses.

b) Purchased computer software

Purchased computer software is stated at historical cost less accumulated amortisation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

Licence

The Licence intangible asset relates to the costs to establish an entity with the same licenses as Sygnia Itrix, allowing it to offer ETFs to investors.

Customer relationships, computer software and licenses are amortised on a straight-line method to write off the cost of each asset over its estimated useful life. The useful life, amortisation method and residual values are reassessed annually. These assets are amortised over the following useful lives:

Customer relationships - acquired contracts	9 years
Customer relationships - investment plan	10 years
Computer software	2 years
Licence	10 years

Intangible assets are derecognised on disposal or when no future economic benefits are expected from their use. The gain or loss arising from derecognition is recognised in profit or loss.

1. Accounting policies (*cont.*)

Property and equipment

Property and equipment is stated at historical cost less accumulated depreciation and impairment losses. The useful life, depreciation method and residual value of all assets are reassessed annually.

Depreciation is calculated on the straight-line method to write off the cost of each asset to its residual value over its estimated useful life. Assets are depreciated over the following useful lives:

Artwork - installed as part of the building	Over the lease term
Leasehold improvements	Over the lease term
Owner occupied property	50 years
Artwork - movable	25 years
Furniture and fittings	6 years
Motor vehicles	5 years
Office equipment	5 years
Computer equipment	3 years

The carrying value of an item of property, plant and equipment shall be de-recognised on disposal or when no future economic benefits are expected from its use. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and is recognised in profit or loss.

Income tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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.

Lease liability

The lease liability is initially measured at the present value of future lease payments. The lease payments are discounted using the incremental borrowing rate. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs.

1. Accounting policies (*cont.*)

The Group's comparative information is presented in accordance with the requirements of IAS 17, whereas the current year has been aligned to the requirements of IFRS 16, except for leases previously accounted for as operating leases with a remaining lease term of less than 12 months. For leases with a remaining lease term of less than 12 months, the Group applied the exemptions in the standard not to recognise right-of-use assets, but to account for these leases as expenses on a straight-line basis over the remaining lease term in terms of IAS 17.

Right-of-use assets

Right-of-use assets are initially measured at cost comprising the following:

- the initial amount of the corresponding lease liability
- any lease payments made at or before the commencement date

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. Right-of-use assets are depreciated over three years, the depreciation charge is recognised in profit or loss.

Financial instruments

Financial instruments are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the particular instrument. Financial assets are de-recognised when, and only when, the Group transfers substantially all risks and rewards of ownership. Financial liabilities are de-recognised when, and only when, the obligations under the contract are discharged, cancelled or expire.

Financial assets

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise investments linked to investment contract liabilities and investments. Investments in cash and cash equivalents relating to investment contract assets are measured at fair value through profit or loss in order to eliminate accounting mismatch. This results in matching the fair value adjustments of the investments linked to investment contract liabilities with the fair value adjustments on investment contract liabilities. These assets are initially recognised at fair value and subsequently measured at fair value through profit or loss. Transaction costs are expensed to profit or loss. Financial assets at fair value through profit or loss are valued as follows:

- Listed equities - closing prices on an exchange.
- Listed interest income securities - closing prices on an exchange.
- Unlisted interest income securities - valuation model that uses observable market inputs (yield of benchmark bonds)
- Collective investment schemes - published price provided by the management company.
- Hedge funds - price provided by the fund manager.
- Investments in insurance policies - price provided by the insurer.
- Unlisted private equity partnerships - price provided by the administrator.

Regular purchases and sales are recognised on trade date.

1. Accounting policies (*cont.*)

b) Financial assets at amortised cost

Financial assets at amortised cost comprise loans receivable, trade receivables, amounts owing by clearing houses, amounts owing by clients and cash and cash equivalents. These assets are initially recognised at fair value plus transactions costs and subsequently measured at amortised cost using the effective interest rate method, less any impairment losses. Financial assets at amortised cost are held to collect contractual cash flows, which consist solely of payments of principal and interest. Financial assets that are held to sell and those that are managed and whose performance is evaluated on a fair value basis are measured at fair value through profit or loss because they are neither held to collect contractual cash flows nor held to collect contractual cash flows and sell. Receivables with a short duration are measured at their transaction price.

Financial liabilities

a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise investment contract liabilities and third-party liabilities arising on consolidation of unit trust funds. This classification eliminates a measurement inconsistency that would otherwise arise with the measurement basis of investments linked to investment contract liabilities. These liabilities are initially recognised at fair value and subsequently measured at fair value through profit or loss. In terms of the definition of insurance contracts in IFRS 4, the contracts issued by Sygnia Life Limited do not qualify as insurance contracts as they transfer financial risk with no significant insurance risk to the holders of the instruments. These contracts are accounted for in terms of IFRS 9. Amounts received under investment contracts are recorded as deposits and credited directly to investment contract liabilities. Amounts paid under investment contracts are recorded as deductions from investment contract liabilities. Investment contract liabilities are recognised when the Group becomes party to their contractual provisions. Disclosure in the statement of profit or loss and other comprehensive income has been made to reflect all income, including realised and unrealised profit, relating to policyholders into one line item called 'investment contract income' and all the expenses relating to policyholders into one line item called 'transfer to investment contract liabilities'. Disclosure in the statement of financial position has been made to reflect all the policyholder assets in one line item called 'investments linked to investment contracts liabilities'.

b) Financial liabilities at amortised cost

Financial liabilities at amortised cost comprise loan payable, preference share liability, lease liabilities, trade and other payables, amounts owing to clearing houses and amounts owing to clients. Financial liabilities are initially recognised at fair value less any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method.

Scrip lending

The group engages in scrip lending activities whereby securities are lent to counterparties and are subject to a written legal agreement under the terms of a Global Master Securities Lending Agreement. In exchange for the securities lent, the group receives collateral in the form of cash or securities in excess of the market value of securities lent. The Group monitors the fair value of securities lent and additional collateral is obtained if necessary. The value of the cash collateral received is recorded as policyholder investments linked to investment contract liabilities with the equivalent payable to the counterparty recorded as investment contract liabilities. Securities lent to counterparties are not derecognized as the Group remains exposed to the change in fair value of these securities. Scrip lending fees received are included in trading income.

1. Accounting policies (*cont.*)

Managed funds and trust activities

Certain companies within the Group operate collective investment schemes that hold and invest funds on behalf of clients. Assets and liabilities representing such activities are not reflected in the statement of financial position as these relate directly to clients, except in instances where the criteria for the consolidation of those funds is met, in which case the assets and liabilities associated with those funds are included on the statement of financial position. Income from these activities is brought into account in the period to which the service relates.

Impairment

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For financial assets at amortised cost, a forward looking expected credit loss (ECL) is applied. The Group holds only trade receivables with no financing component that have maturities of less than one year at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for ECL under IFRS 9 to all its trade receivables. Therefore, the Group does not track changes in credit risk for the purpose of the loss allowance, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group applies IFRS 9's general approach to its loans receivable in terms of which the Group regards a significant increase in credit risk as when payments are more than 30 days past due, and a default as when payments are more than 90 days past due. Loans are written off when there is no realistic prospect of recovery.

Revenue

Revenue comprises financial service fees (investment management fees, investment administration fees and trading income).

Investment management fees and investment administration fees continue to be recognised over time on a daily basis as services are rendered. Variable consideration comprises investment management fees that are performance based. Revenue is recognised only to the extent that it is highly probable that no significant revenue reversal will occur, and such amounts are only included based on the expected value or most likely outcome method. More specifically, revenue is recognised when all contractual provisions as agreed with clients have been met and the performance obligation has been satisfied. Due to inherent volatility and uncertainties in financial markets, this usually occurs when the fee crystallises, or on redemption of the client's investment.

Trading income consists of brokerage income, securities lending income and treasury income. Brokerage income continues to be recognised at a point in time on the day that the purchase or sale of financial instruments is concluded, regardless of when settlement takes place. Securities lending income continues to be recognised over time on a daily basis as services are rendered. Treasury income is recognised upon completion of the related service as this is when the company is considered to have satisfied its performance obligations to its clients.

Where the Group recognises revenue over time, this is in general due to the Group performing and the customer receiving and consuming the benefits over the life of the contract as services are rendered. The Group applies a revenue recognition method that faithfully depicts the Group's performance of its obligations.

1. Accounting policies (*cont.*)

Interest and other investment income/(loss)

Interest income is recognised on the accrual basis using the effective interest rate method. Other investment income/(loss) comprises dividend income, gains or losses on revaluation or disposal of financial assets and foreign exchange gains and losses. Dividend income is recognised in profit or loss on the date the entity's rights to receive payment is established. Income received from collective investment schemes is recognised in profit or loss on the date when the income is distributed. The relevant distinction is made between the nature of the income distributed, as is appropriate.

Finance costs

Finance costs comprise interest expense on interest-bearing borrowings as well as the finance costs related to lease liabilities.

Share-based payments

The Group operates two share option schemes involving share options in Sygnia Limited. The share option schemes, which are on an equity settled basis, allows the Group's employees to acquire shares of Sygnia Limited. The fair value of options granted is recognised as an expense with a corresponding increase in equity, on a straight-line basis over the vesting period based on management's estimate of the shares that will vest and adjusted for the effect of non-market-based vesting conditions. These share-based payments are not subsequently revalued.

Foreign currencies and foreign operations

Transactions in foreign currencies are recorded at the rate of exchange ruling at the transaction date. Financial assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Gains and losses arising on translation are credited to or charged against profit or loss.

The Group has a subsidiary in UK for which the functional currency is pound sterling. On consolidation, the results and financial position of the UK subsidiary is translated into the presentation currency of the Group, as follows:

- Assets and liabilities are translated at the closing rate at year end.
- Income and expense items are translated at exchange rates ruling at the date of the transaction.
- All resulting exchange differences are recognised in other comprehensive income (foreign currency translation reserve), which is recognised in the statement of profit or loss and other comprehensive income on disposal of the foreign operation.
- Cash flow items are translated at the exchange rates ruling at the date of the transactions.

Earnings per share

The Group presents basic and diluted earnings per share and headline earnings per share data for its ordinary shares. Basic earnings per share are calculated by dividing profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share are determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all potential dilutive instruments. Headline and diluted headline earnings per share are calculated in accordance with Circular 1/2019 issued by the South African Institute of Chartered Accountants.

1. Accounting policies (*cont.*)

Segment information

The Group has identified Sygnia's executive committee as the Chief Operating Decision Maker ("CODM"). The responsibility of the executive committee is to assess performance and to make resource allocation decisions across the Group. During the prior year, the Group commenced operations in the United Kingdom whereby one of the subsidiaries, registered in England & Wales, earned fees and incurred costs as the general partner to a private equity partnership registered in England & Wales. The revenue and costs related to these operations is not considered to be significant and therefore, no further disclosure has been made in relation to this segment. The South African operations continued to provide investment management and administration services to institutional and retail clients predominantly located in South Africa. No disaggregated information is provided to the CODM on the South African operations, and the CODM assesses operating performance and makes resource decisions about the South African operations as a whole. The Group has therefore concluded that the South African operations constitutes one operating segment.

2. Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reporting amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis by the directors and management. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Significant estimates made by management in the application of IFRS relates to the impairment of intangible assets, the observable market data used to measure the share option expense, the valuation of level 3 financial assets and the recognition of deferred tax assets for subsidiaries with tax losses. Significant judgements include the consolidation of the Group's collective investment schemes and the classification of investment contract liabilities as financial liabilities. There were no material changes to judgements from the prior year.

/ Notes to the consolidated annual financial statements

3. Intangible assets

2020	Goodwill R'000s	Management contracts R'000s	Customer relationships R'000s	Computer software R'000s	Licence R'000s	Closing balance R'000s
At cost						
Opening balance	149 698	253 885	17 176	37 931	1 170	459 860
Scrapping	-	-	-	(18 051)	-	(18 051)
Closing balance	149 698	253 885	17 176	19 880	1 170	441 809
Accumulated amortisation and impairment						
Opening balance	(31)	-	(5 066)	(23 137)	(234)	(28 468)
Amortisation	-	-	(1 863)	(886)	(117)	(2 866)
Scrapping	-	-	-	18 051	-	18 051
Closing balance	(31)	-	(6 929)	(5 972)	(351)	(13 283)
Carrying amount	149 667	253 885	10 247	13 908	819	428 526

2019

At cost						
Opening balance	149 698	253 885	16 311	34 499	1 170	455 563
Additions	-	-	865	3 432	-	4 297
Closing balance	149 698	253 885	17 176	37 931	1 170	459 860
Accumulated amortisation and impairment						
Opening balance	(31)	-	(3 536)	(15 766)	(117)	(19 450)
Amortisation	-	-	(1 530)	(4 370)	(117)	(6 017)
Impairment	-	-	-	(3 001)	-	(3 001)
Closing balance	(31)	-	(5 066)	(23 137)	(234)	(28 468)
Carrying amount	149 667	253 885	12 110	14 794	936	431 392

Goodwill consists mainly of amounts relating to two separate cash generating units (“CGUs”), namely SURF (previously Gallet Employee Benefits) and Sygnia Itrix. Consequently, there are two separate goodwill impairment assessments relating to each of the CGUs. The carrying amount relating to SURF is R18.5 million (2019: R18.5 million) and to Sygnia Itrix is R130.8 million (2019: R130.8 million).

The carrying amount of computer software as at 30 September 2020 relates to purchased computer software that is not yet available for use.

3. Intangible assets (cont.)

Critical accounting estimates and judgements

Management assesses the recoverable amount of each CGU and management contracts by using value-in-use calculations for each CGU and management contract. Value-in-use is assessed on a discounted cash-flow based calculation. These calculations use cash flow projections based on financial budgets, approved by the board, for 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 forecasted cash flows, which reflects the current market assessments of time value of money and the risk specific to the CGU.

Impairment evaluation of goodwill

The assumptions below, which are benchmarked against similar entities in the industry, have been used in estimating the value in use of the SURF and Sygnia Itrix CGUs:

	SURF %		Sygnia Itrix %	
	2020	2019	2020	2019
Risk-free rate (10 year Government bond)	9.5	8.3	9.5	8.3
Growth rate	3.0	4.1	3.3	4.5
Terminal growth rate *	4.2	5.7	3.6	5.7
Discount rate *	30.1	28.6	29.4	27.9

A reasonably possible change in these assumptions would not cause the carrying amount to exceed its recoverable amount.

Impairment evaluation of management contracts

The assumptions below, which are benchmarked against similar entities in the industry, have been used in estimating the value in use of management contracts:

	2020 %	2019 %
Risk-free rate (10 year Government bond)	9.5	8.3
Terminal growth rate *	3.6	5.7
Discount rate *	29.4	27.9

* Comparatives have been restated to disclose the pre-tax rates.

Impairment evaluation of customer relationships and licenses

There were no impairment indicators for customer relationships and licences. Refer to note 33 for an assessment of the COVID-19 pandemic.

/ Notes to the consolidated annual financial statements

4. Property and equipment

2020	Artwork R'000s	Computer equipment R'000s	Furniture and fittings R'000s	Leasehold improvements R'000s	Motor vehicle and office equipment R'000s	Owner occupied property R'000s	Closing balance R'000s
At cost							
Opening balance	8 831	10 504	11 112	48 716	1 282	5 162	85 607
Additions	-	1 468	680	381	21	-	2 550
Scrapping	-	(8 063)	(6 292)	(25 640)	(118)	-	(40 113)
Foreign exchange adjustment	-	-	-	1 322	-	-	1 322
Closing balance	8 831	3 909	5 500	24 779	1 185	5 162	49 366
Accumulated depreciation							
Opening balance	(2 815)	(8 824)	(8 761)	(31 000)	(1 006)	(412)	(52 818)
Depreciation	(316)	(1 176)	(854)	(6 428)	(125)	(103)	(9 002)
Scrapping	-	8 054	6 245	25 677	138	-	40 114
Foreign exchange adjustment	-	-	-	(181)	-	-	(181)
Closing balance	(3 131)	(1 946)	(3 370)	(11 932)	(993)	(515)	(21 887)
Carrying amount	5 700	1 963	2 130	12 847	192	4 647	27 479
2019							
At cost							
Opening balance	8 831	9 517	10 363	37 663	1 224	5 162	72 760
Additions	-	987	749	11 053	58	-	12 847
Closing balance	8 831	10 504	11 112	48 716	1 282	5 162	85 607
Accumulated depreciation							
Opening balance	(2 444)	(7 343)	(7 862)	(24 839)	(838)	(309)	(43 635)
Depreciation	(371)	(1 481)	(899)	(6 161)	(168)	(103)	(9 183)
Closing balance	(2 815)	(8 824)	(8 761)	(31 000)	(1 006)	(412)	(52 818)
Carrying amount	6 016	1 680	2 351	17 716	276	4 750	32 789

5. Right-of-use assets

2020	Corporate offices R'000s	Total R'000s
At cost		
Opening balance	-	-
Adoption of IFRS 16	25 999	25 999
Additions	34 358	34 358
Foreign exchange adjustment	1 966	1 966
Closing balance	62 323	62 323
Accumulated depreciation		
Opening balance	-	-
Depreciation	(14 315)	(14 315)
Foreign exchange adjustment	(114)	(114)
Closing balance	(14 429)	(14 429)
Carrying amount	47 894	47 894

6. Deferred tax

	Consolidated statement of financial position		Consolidated statement of comprehensive income	
	2020 R'000s	2019 R'000s	2020 R'000s	2019 R'000s
Deferred tax assets relates to the following:				
Accruals	5 321	8 194	(2 974)	3 294
Estimated tax losses	260	830	(570)	(1 447)
Deferred operating lease cash flows	-	429	(429)	(94)
Income received in advance	316	335	(19)	159
Prepayments	(853)	(498)	(355)	(54)
Intangible assets	-	(210)	210	300
Tenant installation allowance	43	68	(25)	(57)
Net fair value adjustment on investments	54	204	(150)	126
Right-of-use asset *	(15 452)	-	(15 185)	-
Lease liability *	16 357	-	16 456	-
Foreign exchange adjustment	-	-	101	13
	6 046	9 352	(2 940)	2 240

Deferred tax liabilities relates to the following:

Accruals	4 595	3 179	1 416	1 065
Deferred operating lease cash flows	-	(7)	7	19
Intangible assets	(73 281)	(73 420)	139	461
Prepayments	(74)	(37)	(37)	(37)
Policy holder reserve adjustment	-	(1 905)	1 905	(444)
Net fair value adjustment on investments	(1 007)	(684)	(323)	(1 395)
Unrealised profit on investment contract assets relating to policyholders	(4 272)	(2 279)	(1 993)	25
	(74 039)	(75 153)	1 114	(306)

A deferred tax asset was not recognised on tax losses amounting to R9.7 million (2019: R11.6 million). This relates to a subsidiary in the Group where it is unclear at year end if future taxable income will be available for offset against the loss.

* Includes an adjustment of R0.4 million processed directly to opening retained earnings on adoption of IFRS 16.

7. Investment contract investments and liabilities

7.1 Investments linked to investment contract liabilities

	2020 R'000s	2019 R'000s
Equities	16 476 596	20 619 392
Interest income securities	8 961 236	9 006 114
Domestic collective investment schemes *	9 017 015	6 896 580
International collective investment schemes *	50 887 823	40 609 623
Hedge funds	57 868	48 131
Limited liability partnership investment	1 904 704	1 217 385
Unlisted private equity investment	46 477	-
Domestic investments in insurance policies	8 325 469	7 135 073
International investments in insurance policies	277 517	320 590
Cash and cash equivalents	2 423 153	2 027 481
Investment contract portfolio debtors	4 733 607	4 519 320
Unsettled cash transactions	(30 631)	-
Investment contract portfolio accrued interest	91 873	71 283
Collateral equities relating to scrip on loan	800 075	1 233 611
Collateral cash relating to scrip on loan	3 503 035	3 888 263
Collateral payable relating to scrip on loan	(800 075)	(1 233 610)
	106 675 742	96 359 236

The collateral above of R4.3 billion (2019: R5.1 billion) as well as collateral that has been pledged of R375 million (2019: R nil) is in respect of scrip on loan of R4.5 billion (2019: R4.6 billion).

* The collective investment schemes are unconsolidated structured entities.

Derivative contracts

Exchange traded futures and options contracts are entered into for both long and short positions. The positions are covered by an initial margin deposit. Fair value movements are settled on a daily basis by means of variation margin payments. The total derivatives exposure at year end was a long position of R1.2 billion (2019: R1.6 billion) and a short position of R280 million (2019: R1.2 billion).

7. Investment contract investments and liabilities (cont.)

7.2 Investments contract liabilities

	2020 R'000s	2019 R'000s
Opening balance	93 712 925	78 107 787
Contributions	15 137 376	27 020 017
Net investment income	-	
Interest income	1 200 289	1 180 021
Dividends from listed investments	764 196	676 723
Fund balance adjusted for gross fund inflows	110 814 786	106 984 548
Withdrawals	(15 771 510)	(20 936 943)
Management fees	(264 439)	(191 766)
Portfolio expenses	(187 134)	(77 016)
Transaction costs	(116 767)	(46 505)
Tax	(32 514)	(5 172)
Deferred tax	(1 993)	(880)
Unutilised tax losses transferred to corporate	(256)	(438)
Commission paid by policyholders - ongoing	(630)	(873)
Fair value adjustment to third-party liabilities	(387 055)	(85 060)
Net fair value gains on investments linked to investment contract liabilities	9 314 962	4 125 757
Other payables	(11 277)	59 010
Cash collateral payable relating to scrip on loan	(385 228)	3 888 263
Total policyholder investment contract liabilities	102 970 945	93 712 925

8. Investments

	2020 R'000s	2019 R'000s
Collective investment schemes	227 090	199 998
Sygnia Life Core Income Fund	112 154	58 450
	339 244	258 448

The collective investment schemes are managed by Sygnia Collective Investments (RF) Proprietary Limited (a subsidiary of the Group) and are unconsolidated structured entities.

9. Loans receivable

	2020 R'000s	2019 R'000s
ASISA Supplier Development Trust	3 242	2 742
Beret Properties Proprietary Limited	6 984	7 524
Izibuko Holdings Proprietary Limited	62	60
WealthFoundry Proprietary Limited	3 353	-
Widok Properties Proprietary Limited	2 415	2 494
Deutsche Securities	25	25
Staff loans	39 033	40 387
	55 114	53 232

The loan to ASISA Supplier Development Trust ("ASISA") is unsecured, interest free and repayable in the 2025 financial year.

There are two loans to Beret Properties Proprietary Limited; both are unsecured and bear interest at the prime interest rate. The first loan is repayable in monthly instalments over 10 years, with final repayment in November 2025. The second loan is repayable in monthly instalments over 20 years, with final payment in November 2035. R1.14 million was paid in instalments on both loans in the current year (2019: R1.22 million) consisting of capital of R0.54 million (2019: R0.46 million) and interest of R0.60 million (2019: R0.76 million). R0.59 million (2019: R0.50 million) of the loan balance is due within twelve months of the reporting date.

The loan to Izibuko Holdings Proprietary Limited is unsecured, bears no interest and has no fixed repayment terms.

The loan to Widok Properties Proprietary Limited is unsecured, bears interest at the prime interest rate less 0.5% and is repayable in monthly instalments over 20 years, with final payment in November 2035. R0.28 million was paid in instalments in the current year (2019: R0.30 million) consisting of capital of R0.08 million (2019: R0.06 million) and interest of R0.20 million (2019: R0.24 million). R0.09 million (2019: R0.07 million) of the loan balance is due within twelve months of the reporting date.

Staff loans were granted to senior staff members in June 2019 to purchase shares in Sygnia Limited. These loans are repayable in June 2029 but become immediately repayable if the staff member leaves before the repayment date. Interest is charged at the SARS Official Rate of Interest. The loan is secured by the Sygnia Limited shares that were purchased with the loan.

Management has assessed the recoverability of the loans to Beret Properties Proprietary Limited, Widok Properties Proprietary Limited, WealthFoundry Proprietary Limited and ASISA based on budgeted forecasts and expected repayments. These companies and ASISA have sufficient assets to settle the loans in future. The assets of the companies and ASISA exceed the liabilities and the disposal of assets would be sufficient to settle all the liabilities. Management has also assessed the recoverability of the staff loans and has assessed the loans to be performing. The value of the shares at year end is approximately 150% of the loan balance.

/ Notes to the consolidated annual financial statements

10. Trade receivables

	2020 R'000s	2019 R'000s
Fees receivable	65 708	87 307
Interest receivable	2 743	1 453
Rental deposits	4 730	4 141
Sundry debtors	234	913
	73 415	93 814

Refer to note 29 for credit risk disclosure.

11. Amounts owing by/(to) clearing houses and clients

11.1 Amounts owing by/(to) clearing houses

	2020 R'000s	2019 R'000s
Amount receivable	831	-
Amounts owing by clearing houses	831	-

Amount receivable	-	129 651
Amount payable	(24 740)	(310 636)
Amounts owing to clearing houses	(24 740)	(180 985)

11.2 Amounts owing by/(to) clients

The amounts owing by/(to) clients represent unsettled exchange traded transactions at year end relating to equities and futures purchased/sold on behalf of clients. These amounts are settled within three days after the transaction occurred in terms of the clearing house rules of the JSE.

In terms of Section 21 of the Financial Markets Act of 2012, cash held for client accounts and in the client's name is held with JSE Trustees Proprietary Limited ("JSE Trustees"). At year end, client money held with the JSE Trustees amounted to R78.4 million (2019: R67.3 million). This amount is not reflected in the statement of financial position as it relates to client monies over which the Group has no control.

12. Cash and cash equivalents

	2020 R'000s	2019 R'000s
Current accounts (BB rated)	179 883	133 510
Call accounts (BB rated)	79 800	41 450
	259 683	174 960

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.

13. Stated capital

Authorised

500,000,000 Ordinary shares with no par value (2019: 500,000,000).

Issued	2020 Number of shares	2019 Number of shares	2020 R'000s	2019 R'000s
Opening balance	152 242 847	154 955 778	641 494	665 901
Ordinary shares repurchased	(4 319 041)	(3 091 500)	(42 037)	(27 311)
Issue of shares relating to share options exercised	478 568	378 569	2 457	1 908
Transfer between share based payment reserve and stated capital for share options exercised	-	-	1 259	996
Closing balance	148 402 374	152 242 847	603 173	641 494

The ordinary shares were repurchased at an average price of R9.73 (2019: R8.83) and were cancelled before year end.

The unissued shares at year end are under the control of the directors until the next annual general meeting. The directors of the company are authorised to repurchase shares under general approval subject to certain limitations and the JSE Listing Requirements.

14. Third-party liabilities arising on consolidation of unit trust funds

	2020 R'000s	2019 R'000s
Opening balance	2 644 032	1 567 784
Net contributions and withdrawals	608 153	(19 292)
Fair value adjustment to third-party liabilities	387 055	85 060
Net consolidation of unit trusts	61 284	1 010 480
Closing balance	3 700 524	2 644 032

15. Loan payable

	2020 R'000s	2019 R'000s
Opening balance	50 365	-
Facility drawdown	40 000	50 000
Interest accrued	5 363	1 231
Interest repaid	(5 362)	(866)
Closing balance	90 366	50 365

The loan amount represents the amount utilised from a R100 million facility with Standard Bank. This facility is in place from March 2019 to March 2022. Drawdowns can be made at any time during the facility period with five working days notice. Interest is accrued at JIBAR plus 1.5% and is payable quarterly. Capital can be repaid at any time with final repayment on 29 March 2022. The loan is secured by guarantees from various companies in the Group.

16. Lease liability

	2020 R'000s	2019 R'000s
Opening balance	-	-
Adoption of IFRS 16	28 448	-
Additions	34 358	-
Lease payments *	(16 953)	-
Finance costs	3 421	-
Exchange differences	1 780	-
Closing balance	51 054	-
Current portion	18 997	-
Non-current portion	32 057	-
	51 054	-
Maturity analysis - contractual undiscounted cash flows		
Up to 1 year	22 366	-
1 to 5 years	33 970	-
	56 336	-

* The lease payments include interest of R3.42 million, which has been presented on the statement of cash flows within operating activities (as finance costs). The capital repayments of R13.53 million have been disclosed within financing activities.

17. Preference share liability

	2020 R'000s	2019 R'000s
Opening balance	135 000	150 000
Preference share redemption	(35 000)	(15 000)
Closing balance	100 000	135 000

The rate of the Standard Bank preference shares is linked to prime. The preference shares can be redeemed by the Group at any time with a final compulsory redemption on 30 March 2022.

/ Notes to the consolidated annual financial statements

18. Trade and other payables

	2020 R'000s	2019 R'000s
Accruals	50 065	32 264
Trade creditors	53 183	43 775
Unsettled trades	117 079	69 927
Deferred income	1 130	1 199
Value added tax payable	4 335	3 776
	225 792	150 941

19. Investment contract income

	2020 R'000s	2019 R'000s
Fair value gains on investments linked to investment contract liabilities	9 314 962	4 125 757
Net investment income		
Interest income	1 200 289	1 180 021
Dividends from listed investments	764 196	676 723
	11 279 447	5 982 501

20. Transfer to investment contract liabilities

	2020 R'000s	2019 R'000s
Management fees	264 439	191 766
Portfolio expenses	187 134	77 016
Transaction costs	116 767	46 505
Tax	32 514	5 172
Deferred tax	1 993	880
Unutilised tax losses transferred to corporate	256	438
Commission paid by policyholders - ongoing	630	873
Fair value adjustment to third-party liabilities	387 055	85 060
Increase in investment contracts	10 288 659	5 574 791
	11 279 447	5 982 501

21. Profit from operations

Profit from operations is arrived at after taking the following into account:

	2020 R'000s	2019 R'000s
Revenue		
Investment management fees *	419 559	332 347
Investment administration fees	80 682	62 576
Trading income **	160 768	113 184
	661 009	508 107

* The general partner fees in the last annual financial statements have been combined with investment management fees to achieve a more consistent presentation with the current period financial statements.

** Trading income consists of brokerage income, securities lending income and treasury income.

Operating expenses include:		
Short-term operating lease	12 060	22 362
Asset management fees	21 717	30 208
Staff costs (excluding share options costs)	187 356	157 497
Share options costs	4 109	2 166
Trading, custody and administration costs	28 086	22 971

22. Other investment income/(loss)

	2020 R'000s	2019 R'000s
Dividend income	80	85
Fair value adjustment on investments	5 968	(953)
Foreign exchange gains	2 488	167
	8 536	(701)

23. Income tax

	2020 R'000s	2019 R'000s
South African normal tax		
Current tax - current year	89 584	58 724
Current tax - prior year under provision	804	-
Deferred tax - current year	1 096	(2 786)
	91 484	55 938
Reconciliation of tax rate	%	%
Standard rate	28.0	28.0
Non-deductible expenses	1.6	0.7
Non-deductible expenses (finance charges)	0.7	1.9
Capital gains tax differential in rates	(0.1)	0.1
Deferred tax asset not recognised - tax loss	0.2	0.1
Prior year under provision	0.2	-
Foreign tax rate differential	0.1	-
Effective rate	30.7	30.8

The tax rate reconciliation does not include profit or loss relating to policyholders.

24. Earnings and headline earnings per share

	2020 R'000s	2019 R'000s
Profit attributable to ordinary shareholders	206 082	125 941
Impairment of intangible asset (after tax)	-	2 161
Headline earnings	206 082	128 102

	Number of shares	Number of shares
Weighted average number of ordinary shares in issue (basic)	140 790 102	145 809 601
Potential number of shares issued in respect of diluted instruments	2 651 118	974 599
Weighted average number of ordinary shares in issue (diluted)	143 441 220	146 784 200

	2020 Cents	2019 Cents
Earnings per share (basic)	146.4	86.4
Earnings per share (diluted)	143.7	85.8
Headline earnings per share (basic)	146.4	87.9
Headline earnings per share (diluted)	143.7	87.3

	2020 Cents	2019 Cents
Alternative performance measures		
Net asset value per share	499.2	438.4
Tangible net asset value per share	194.8	142.6

The tangible net asset value per share is the net asset value, excluding intangible assets, divided by the weighted average number of ordinary shares.

25. Share-based payments

The Group operates two share option schemes involving share options in Sygnia Limited, being The Sygnia Share Option Scheme ("Scheme A") and The Sygnia Share Option Scheme B ("Scheme B"). Scheme A is issued at a strike price with reference to the 30 day volume weighted average trading price; Scheme B is issued at a strike price of Rnil. The share options are an option to purchase shares in Sygnia Limited with 20%, 30% and 50% vesting over a period of three, four and five years respectively. The maximum number of ordinary shares that may be issued in Scheme A and Scheme B is 5 million and 10 million respectively.

	2020		2019	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Scheme A				
Opening balance	3 104 865	R10.0	3 750 528	R9.8
Allocated during the year	-	-	409 734	R8.5
Forfeited during the year	(263 483)	R14.5	(676 828)	R11.6
Exercised during the year	(478 567)	R5.0	(378 569)	R5.0
Closing balance	2 362 815	R10.2	3 104 865	R10.0
Exercisable at year end	365 224	R14.8	243 483	R14.8
			2020	2019
Fair value of options allocated during the year			-	R1.2 million
Weighted average share price of options exercised during the year			R11.2	R9.3
Range of exercise price for share options at end of year			R5.0 - R15.0	R5.0 - R15.0
Weighted average remaining life of options (years)			0.7	1.3

All options issued prior to 1 October 2017 were valued using a Finite Difference Scheme under Geometric Brownian motion option pricing model. All options issued on or after 1 October 2017 were valued using a Black Scholes option pricing model. The following weighted average inputs were used for options allocated during the year:

	2020	2019
Historic volatility (%) *	-	44.0
Dividend yield (%)	-	6.4
Risk-free interest rate (%)	-	8.7
Expected life (years)	-	5.0
Share price (ZAR)	-	9.3

* Expected volatility was based on the two year historic volatility.

25. Share-based payments (cont.)

	2020		2019	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Scheme B				
Opening balance	1 920 000	-	-	-
Allocated during the year	200 000	-	2 120 000	-
Forfeited during the year	(100 000)	-	(200 000)	-
Closing balance	2 020 000	-	1 920 000	-
Exercisable at year end	-	-	-	-
			2020	2019
Fair value of options allocated during the year			R1.4 million	R13.3 million
Weighted average remaining life of options (years)			3.1	4.1

All options were valued using a Black Scholes option pricing model. The following weighted average inputs were used for options allocated during the year:

	2020	2019
Historic volatility (%) *	43.3	43.9
Dividend yield (%)	6.5	7.1
Risk-free interest rate (%)	8.3	8.4
Expected life (years)	5.0	5.0
Share price (ZAR)	9.3	8.5

* Expected volatility was based on the two year historic volatility.

26. Operating lease commitments

	2020 R'000s	2019 R'000s
Up to 1 year	-	12 583
1 to 5 years	-	25 190
	-	37 773

Effective 1 October 2019, lease commitments for corporate offices are now capitalised and disclosed (as required under IFRS 16) as lease liabilities in the statement of financial position.

27. Cash flows from operations

	2020 R'000s	2019 R'000s
Profit before tax	297 566	181 879
Adjusted for:		
Amortisation	2 866	6 017
Impairment of intangible assets	-	3 001
Foreign currency adjustments	-	(32)
Depreciation	23 317	9 183
Dividend income	(80)	(85)
Interest income	(26 315)	(26 266)
Finance costs	16 408	12 399
Share-based payment expense	4 109	2 166
Fair value adjustment on investments	(5 968)	953
Policyholder investment contract movements		
Deferred tax included in investment contract income	1 993	880
Investment contract income	(11 279 447)	(5 982 501)
Policyholder investment contract assets	(10 316 506)	(16 527 181)
Policyholder investment contract liabilities	9 258 020	15 605 138
Third-party liabilities arising on consolidation of unit trust funds	995 208	65 768
Transfer to investment contract liabilities	11 279 447	5 982 501
Third-party liabilities arising on acquisition of unit trust funds	61 284	1 010 480
Cash flow before changes in working capital	311 902	344 300
Working capital changes		
Trade receivables	21 689	(35 489)
Other receivables	(1 097)	(362)
Amounts owing to clients and clearing houses	(355)	513
Trade and other payables	75 525	(125 922)
Cash flows from operations	407 664	183 040

28. Related party transactions

Identity of related parties

The Group has a related party relationship with its directors and entities outside of the Group that have common directors and shareholders to Sygnia Limited, namely Beret Properties Proprietary Limited (Beret), Widok Properties Proprietary Limited (Widok), Izibuko Holdings Proprietary Limited and Braavos Investment Advisers LP (Braavos). The Group entered into service transactions, in the ordinary course of business, with related parties.

Transactions with key management personnel

Executive directors are considered to be the only key management personnel. The executive directors of Sygnia Limited are employed on the same terms and conditions as other employees and do not have separate service contracts in their capacity as directors. The non-executive directors are paid a monthly retainer fee. Only short-term compensation was paid to directors during the year, which is as follows:

Cash-based remuneration

2020	Directors' fees R'000s	Consulting fees**** R'000s	Salary R'000s	Bonus R'000s	Total R'000s
Executive Directors					
MF Wierzycka	-	-	6 935	6 442	13 357
DR Hufton	-	-	4 000	4 000	8 000
M Sirkot *	-	-	2 650	2 889	5 539
Non-executive directors					
HI Bhorat	567	-	-	-	567
G Cavaleros	600	-	-	-	600
A Crawford-Brunt	-	5 137	-	-	5 137
MH Jonas	1 033	-	-	-	1 033
IK Moyane (resigned 31 March 2020)	101	-	-	-	101
R Sithubi	270	-	-	-	270
C Appana (appointed 8 September 2020)	23	-	-	-	23
	2 594	5 137	13 585	13 331	34 627

28. Related party transactions (cont.)

2019	Directors' fees R'000s	Consulting fees**** R'000s	Salary R'000s	Bonus R'000s	Total R'000s
Executive directors					
MF Wierzycka	-	-	5 488	-	5 488
DR Hufton	-	-	3 300	3 000	6 300
M Buckham (resigned 31 December 2018)	-	-	737	-	737
M Sirkot (appointed 16 January 2019) *	-	-	1 776	2 383	4 159
Non-executive directors					
HI Borat	500	-	-	-	500
G Cavaleros (appointed 28 June 2019)	150	-	-	-	150
A Crawford-Brunt (appointed 1 November 2018)	-	1 644	-	-	1 644
KT Hopkins (resigned 25 February 2019)	123	-	-	-	123
MH Jonas	1 150	-	-	-	1 150
IK Moyane	224	-	-	-	224
R Sithubi (appointed 26 February 2019)	125	-	-	-	125
SA Zinn (resigned 31 December 2018)	18	-	-	-	18
	2 290	1 644	11 301	5 383	20 618

28. Related party transactions (cont.)

Equity remuneration

Number of share options

2020	Date granted	SSOS A or B	Exercise price	Opening balance	Allocated during the year	Forfeited during the year	Closing balance
Executive directors							
MF Wierzycka	30-Sep-16	A	14.96	1 000 000	-	(200 000)	800 000
DR Hufton	01-Feb-16	A	13.80	217 413	-	(43 483)	173 930
DR Hufton	01-Aug-19	B	-	200 000	-	-	200 000
M Sirkot	16-Jan-19	A	7.96	251 258	-	-	251 258
				1 668 671	-	(243 483)	1 425 188
2019							
Executive directors							
MF Wierzycka	30-Sep-16	A	14.96	1 000 000	-	-	1 000 000
DR Hufton	01-Feb-16	A	13.80	217 413	-	-	217 413
DR Hufton	01-Aug-19	B	-	-	200 000	-	200 000
M Sirkot	16-Jan-19	A	7.96	-	251 258	-	251 258
M Buckham	20-Feb-17	A	15.85	315 493	-	(315 493)	-
				1 532 906	451 258	(315 493)	1 668 671

The fair value of the options allocated to DR Hufton and M Sirkot during the prior year was R1.26 million and R0.71 million respectively.

	Number of shares held		
	Direct beneficial interest	Indirect beneficial interest	Percentage held
Directors' interest in Sygnia Limited			
At 30 September 2020			
MF Wierzycka	-	93 698 018	63.1%
DR Hufton ***	2 384 906	-	1.6%
M Sirkot ****	500 000	-	0.3%
A Crawford-Brunt	-	9 811 277	6.6%
HI Bhorat **	-	1 093 420	0.7%
MH Jonas **	-	455 591	0.3%

28. Related party transactions (cont.)

	Number of shares held		
	Direct beneficial interest	Indirect beneficial interest	Percentage held
At 30 September 2019			
MF Wierzycka	-	93 698 018	61.5%
DR Hufton ***	2 384 906	-	1.6%
M Sirkot ****	500 000	-	0.3%
A Crawford-Brunt	-	9 811 127	6.4%
HI Bhorat **	-	1 093 420	0.7%

* The 2019 bonus included a sign on bonus of R0.78 million paid in June 2019. The 2020 bonus includes a sign on bonus of R0.89 million paid in June 2020. A further R1.13 million is payable in June 2021 provided Mr M Sirkot is employed by the Group at the time this amount is payable. The amount payable in the future has not been recognised in the consolidated statement of profit or loss and other comprehensive income.

** HI Bhorat and MH Jonas are beneficiaries in the Ulundi Trust which vests in July 2023. At the end of the year, the Ulundi Trust's debt was R8.24 (2019: R8.42) per share.

*** Mr DR Hufton used a loan from a subsidiary to purchase 1,322,761 shares in June 2019. His loan balance at year end of R12.7 million (2019: R13.4 million) is included in staff loans in note 9.

**** Mr M Sirkot used a loan from a subsidiary to purchase 500,000 shares in June 2019. His loan balance at year end of R3.2 million (2019: R4.4 million) is included in staff loans in note 9.

***** The consulting fee relates to consulting services provided to a UK subsidiary.

There have been no changes in directors' interest subsequent to year-end up to the date of signing the financial statements.

Transactions with related parties

Interest and capital repayments on loans receivable are disclosed in note 9. Other transactions with related parties are as follows:

	2020 R'000s	2019 R'000s
Short term lease expenses - Beret and Widok	5 001	15 331
Lease payments relating to right of use asset - Beret and Widok	12 702	-
Revenue received from Braavos	7 924	-

Balances with related parties

Loans receivable from Beret Properties Proprietary Limited, Widok Properties Proprietary Limited, Izibuko Holdings Proprietary Limited and staff are disclosed in note 9. Other balances with related parties are as follows:

Fees receivable from Braavos	4 327	-
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Refer to note 30 for general partner fees paid by a subsidiary to Braavos Capital I Limited Partnership and Braavos Capital II Limited Partnership.

29. Financial risk management

The Group is exposed to a variety of financial risks. The most important components of financial risk are capital risk, credit risk, liquidity risk and market risk (arising from changes in equity and bond prices, interest and foreign exchange rates). Market risk arises from open positions in interest rate, currency and equity instruments.

The Audit and Risk Committee assists the board in discharging its responsibilities that relate to the safeguarding of assets, the operation of adequate and effective systems and control processes, and the oversight of the external and internal audit appointments and functions. Internal audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit and Risk Committee. The Audit and Risk Committee oversees the risk management structures and processes that have been designed to identify, evaluate and manage risks and effectively communicate to the various reporting structures. The responsibility for risk management rests with every individual in the company, including board members.

The committee meets on a quarterly basis.

The risks management explained below relates to the shareholders' assets only. Policyholder assets and third-party assets arising on consolidation of unit trust funds are linked to policyholder liabilities and third-party liabilities on consolidation of unit trust funds and as such, all market and credit risk related to these assets are offset by their respective liabilities. The liquidity risk associated with the Group being contractually obligated to repay policyholders, and third-party liabilities arising on consolidation of unit trust funds on demand, is managed through the investment composition of assets included in the policyholder portfolios and by contract with the policyholders. Such contracts mitigate the liquidity risk faced by the Group and contractually passes this on to policyholders in the ordinary course of business and in the event that substantial withdrawals require large scale disinvestment of the assets in these portfolios.

Capital risk

Capital risk refers to the risk that subsidiaries of the Group cannot meet its minimum statutory capital requirements. The Group has various subsidiaries that are regulated by the Financial Services Conduct Authority, the South African Reserve Bank, the Financial Conduct Authority and the JSE. These companies are subject to prescribed minimum capital requirements, which are monitored on a monthly basis and have been met throughout the year. The capital of each of these regulated entities is considered to be its total equity. The capital risk management philosophy is to maximise the return on shareholders' capital within an appropriate risk framework. There has been no material change in the company's management of capital during the year.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligation or incur a change in its creditworthiness, resulting in a financial loss to the Group. The maximum exposure to credit risk is represented by the carrying value of financial assets at amortised cost. Cash resources and longer term investments are limited to high credit quality financial institutions. The Group has policies in place to limit the credit exposure to any one financial institution. The Group reviews the payment history as well as the financial position of all counterparties with loan balances. Most of the fees receivable are collected directly from clients' investments or from the unit trust funds that the Group manages. Fees due from retirement fund clients that pay on invoice are monitored on a monthly basis. In the event that a retirement fund makes a full withdrawal, the Group has processes in place to ensure that all outstanding fees are invoiced and agreed before the withdrawal is paid. Payment terms are generally 30 days from invoice date. The Group has a history of very few bad debts. Management consider the probability of default to be close to zero as all counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be insignificant to the Group. The Group has no concentration of credit risk.

29. Financial risk management (cont.)

Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due. The Group manages its liquidity requirements by monitoring forecasted cash flows. Furthermore, the Group has a credit facility with Standard Bank that can be utilised if required. Trade and other payables are unsecured.

The following table details the maturity analysis of the Group's financial liabilities. The tables have been drawn up based on the undiscounted cash flows (capital and interest) of financial liabilities based on the earliest date on which the Group can be required to pay.

2020	On demand	Due within 12 months	Due within 1 - 5 years	Total
Loan payable	-	4 447	92 583	97 030
Preference share liability	-	4 990	102 883	107 873
Third-party liabilities arising on consolidation of unit trust funds	3 700 524	-	-	3 700 524
Investment contract liabilities	102 970 945	-	-	102 970 945
Trade and other payables	-	221 457	-	221 457
Amounts owing to clearing houses	-	24 740	-	24 740
Amounts owing to clients	-	71 625	-	71 625
Lease Liabilities	-	22 366	33 970	56 336
	106 671 469	349 625	229 436	107 250 530

2019	On demand	Due within 12 months	Due within 1 - 5 years	Total
Loan payable	-	365	50 000	50 365
Preference share liability	-	-	135 000	135 000
Third-party liabilities arising on consolidation of unit trust funds	2 644 032	-	-	2 644 032
Investment contract liabilities	93 712 925	-	-	93 712 925
Trade and other payables	-	150 941	-	150 941
Amounts owing to clearing houses	-	180 985	-	180 985
Amounts owing to clients	-	125 818	-	125 818
	96 356 957	458 109	185 000	97 000 066

29. Financial risk management (*cont.*)

Market risk

Market risk is the potential impact on earnings of unfavourable changes in foreign exchange rates, interest rates and market prices. The Group is exposed to market risk on foreign trade receivables and payables, capital held in interest income securities and money market unit trust funds as well as cash balances held with banks. The following sections set out the sensitivity of Group capital to these elements of market risk.

Assets under management/administration risk

A large portion of the Group's income is derived from fees levied on the market value of the investments that it manages and administers. As the fees are dependent on the daily market value of the investments, any market movements affect the Group accordingly. This risk is mitigated through the diversification of investment mandates such that revenue is not overly exposed to any single sector of the investment market. Investment management capacity is monitored to ensure that the performance of a specific investment is not unduly compromised through excessive scale. A 10% decrease is used when reporting AUM/AUA risk internally to key management personnel and represents management's assessment of the reasonably possible change in AUM/AUA within a financial period. A 10% downturn in the value of the assets that the Group manages and administers on behalf of clients would reduce the Group's revenue by R44.3 million (2019: R37.7 million) and profits before tax by approximately R37.1 million (2019: R31.0 million). This assumes that all other variables remain constant and the year end AUM/AUA has been constant throughout the year.

Sensitivity analysis for variable rate instruments

Interest rate risk:

The Group is exposed to interest rate risk through its investments, loans receivable, cash and cash equivalents, loan payable and preference share liability. An increase of 300 (2019: 100) basis points in interest rates at year end would have increased profit before tax by R13.9 million (2019: R3.0 million). A decrease of 300 (2019: 100) basis points in interest rates at year end would have had the equal but opposite effect. This assumes that all other variables remain constant and the year end balance has been constant throughout the year.

Currency risk

The Group utilises foreign suppliers for the provision of certain products and services. The Group receives fees from some of the unit trust funds managed by subsidiaries in foreign currencies. These payables and receivables results in an exposure to fluctuations in the exchange rate. The Group minimises its foreign currency exposure by matching the amounts receivable with the amounts payable where possible. The Group's net receivable exposure to foreign currency at year end is shown below:

	2020 R'000s	2019 R'000s
USD	4 467	10 585
EUR	1 466	3 693
GBP	496	2 192
JPY	712	474
	7 141	16 944

29. Financial risk management (*cont.*)

A 10% depreciation in the ZAR exchange rate would have increased profit before tax by R0.7 million (2019: R1.7 million). A 10% appreciation in the ZAR exchange rate would have had the equal but opposite effect.

Price risk

The Group is exposed to price risk in respect of its investments. A 5% (2019: 1%) increase in the price of the investments, with other variables held constant, would have increased profit before tax by R2.6 million (2019: R2.6 million). A 5% (2019: 1%) decrease in the price of the investments would have had the equal but opposite effect.

Statement of financial position (corporate vs third party) - alternative performance measure

A subsidiary of the Group, Sygnia Life Limited is a linked insurance company and issues linked policies to policyholders (where the value of policy benefit 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 contractually assumed by the policyholder. Sygnia Securities Proprietary Limited (subsidiary) provides stockbroking services to clients, which results in significant working capital fluctuations due to the timing of the close of the JSE in terms of client settlements. The unsettled exchange-traded transactions are represented by money owed to clients and held with the JSE Trustees. Similarly, cash held in settlement accounts on behalf of clients related to the above-mentioned subsidiaries are considered as third-party balances. In order to evaluate the consolidated financial position, the Group segregates the statement of financial position and the statement of profit or loss and other comprehensive income between corporate (own balances) and third-party (client-related balances). Third-party balances represent the investment contract liabilities and related linked client assets of Sygnia Life Limited, the related portfolio debtors and creditors accounts, deferred taxation, unsettled trades and related bank accounts, as well as third-party liabilities and assets arising on consolidation of unit trust funds. Client balances in Sygnia Securities Proprietary Limited due to unsettled trades and cash held in settlement accounts on behalf of clients are included in third-party balances.

29. Financial risk management (cont.)

Statement of financial position

	As at 30 September 2020			As at 30 September 2019		
	Consolidated R'000s	Corporate Balances R'000s	Third-party Balances R'000s	Consolidated Balances R'000s	Corporate Balances R'000s	Third-party R'000s
Assets						
Intangible assets	428 526	428 526	-	431 392	431 392	-
Property and equipment	27 479	27 479	-	32 789	32 789	-
Loans receivable	55 114	55 114	-	53 232	53 232	-
Right-of-use assets	47 894	47 894	-	-	-	-
Deferred tax assets	6 046	6 046	-	9 352	9 352	-
Tax receivable	-	-	-	2 551	2 551	-
Investments linked to investment contract liabilities	106 675 742	-	106 675 742	96 359 236	-	96 359 236
Other receivables	4 234	4 234	-	3 137	3 137	-
Trade receivables	73 415	73 415	-	93 814	93 814	-
Investments	339 244	339 244	-	258 448	258 448	-
Amounts owing by clearing houses	831	-	831	-	-	-
Amounts owing by clients	95 380	-	95 380	306 294	-	306 294
Cash and cash equivalents	259 683	259 683	-	174 960	174 960	-
Total assets	108 013 588	1 241 635	106 771 953	97 725 205	1 059 675	96 665 530
Equity						
Stated capital and reserves	702 841	702 841	-	639 280	639 280	-
Total equity	702 841	702 841	-	639 280	639 280	-
Liabilities						
Loan payable	90 366	90 366	-	50 365	50 365	-
Preference share liability	100 000	100 000	-	135 000	135 000	-
Lease liabilities - Non-current	32 057	32 057	-	-	-	-
Third-party liabilities arising on consolidation of unit trust funds	3 700 524	-	3 700 524	2 644 032	-	2 644 032
Deferred tax liabilities	74 039	69 765	4 274	75 153	72 874	2 279
Investment contract liabilities	102 970 945	-	102 970 945	93 712 925	-	93 712 925
Tax payable	1 662	1 662	-	10 706	10 706	-
Lease liabilities - Current	18 997	18 997	-	-	-	-
Trade and other payables	225 792	225 792	-	150 941	150 941	-
Amounts owing to clearing houses	24 740	155	24 585	180 985	509	180 476
Amounts owing to clients	71 625	-	71 625	125 818	-	125 818
Total liabilities	107 310 747	538 794	106 771 953	97 085 925	420 395	96 665 530
Total equity and liabilities	108 013 588	1 241 635	106 771 953	97 725 205	1 059 675	96 665 530

29. Financial risk management (cont.)

Statement of profit or loss and other comprehensive income

	Year ended 30 September 2020			Year ended 30 September 2019		
	Consolidated R'000s	Corporate R'000s	Third-party R'000s	Consolidated R'000s	Corporate R'000s	Third-party R'000s
Revenue	661 009	661 009	-	508 107	508 107	-
Operating expenses	(381 886)	(381 886)	-	(339 394)	(339 394)	-
Profit from operations	279 123	279 123	-	168 713	168 713	-
Investment contract income	11 279 447	-	11 279 447	5 982 501	-	5 982 501
Transfer to investment contract liabilities	(11 279 447)	-	(11 279 447)	(5 982 501)	-	(5 982 501)
Interest income	26 315	26 315	-	26 266	26 266	-
Other investment income/(loss)	8 536	8 536	-	(701)	(701)	-
Finance costs	(16 408)	(16 408)	-	(12 399)	(12 399)	-
Profit before tax	297 566	297 566	-	181 879	181 879	-
Income tax	(91 484)	(91 484)	-	(55 938)	(55 938)	-
Profit after tax	206 082	206 082	-	125 941	125 941	-
Foreign currency translation reserve	(6)	(6)	-	(18)	(18)	-
Total comprehensive income for the year	206 076	206 076	-	125 923	125 923	-

30. Fair value

The fair values of all financial instruments approximate the carrying values reflected in the statement of financial position. The carrying value and gains and losses of financial instruments is as follows:

	2020 R'000s	2019 R'000s
Financial assets at fair value through profit or loss		
<i>Consolidated statement of financial position</i>		
Investments linked to investment contract liabilities	106 675 742	96 359 236
Investments	339 244	258 448
	107 014 986	96 617 684
<i>Consolidated statement of profit or loss and other comprehensive income</i>		
Investment contract income	11 279 447	5 982 501
Other investment income/(loss)	8 536	(701)
	11 287 983	5 981 800
Financial assets at amortised cost		
<i>Consolidated statement of financial position</i>		
Loans receivable	55 114	53 232
Trade receivables	73 415	93 814
Amounts owing by clearing houses	831	-
Amounts owing by clients	95 380	306 294
Cash and cash equivalents	259 683	174 960
	484 423	628 300
<i>Consolidated statement of profit or loss and other comprehensive income</i>		
Interest income	26 315	26 266
	26 315	26 266
Financial liabilities at fair value through profit or loss		
<i>Consolidated statement of financial position</i>		
Investment contract liabilities	102 970 945	93 712 925
Third-party liabilities arising on consolidation of unit trust funds	3 700 524	2 644 032
	106 671 469	96 356 957
<i>Consolidated statement of profit or loss and other comprehensive income</i>		
Transfer to investment contract liabilities	(11 279 447)	(5 982 501)
	(11 279 447)	(5 982 501)

30. Fair value (cont.)

	2020 R'000s	2019 R'000s
Financial liabilities at amortised cost		
<i>Consolidated statement of financial position</i>		
Loan payable	90 366	50 365
Preference share liability	100 000	135 000
Lease liabilities	51 054	-
Trade and other payables	221 457	150 941
Amounts owing to clearing houses	24 740	180 985
Amounts owing to clients	71 625	125 818
	559 242	643 109
<i>Consolidated statement of profit or loss and other comprehensive income</i>		
Finance costs	(16 408)	(12 399)
	(16 408)	(12 399)

The following table shows the categories of financial instruments at fair value based on the degree to which fair value is observable.

Level 1 - fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 1 investments relates to equities and interest income securities.

Level 2 - fair value is derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Level 2 investments relate to interest income securities, collective investment scheme, hedge funds, investments in insurance policies, investment contract portfolio debtors, investment contract portfolio accrued interest and cash and cash equivalents.

Level 3 - fair value is derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). The level 3 investment relates to unlisted private equity investments.

2020	Level 1 R'000s	Level 2 R'000s	Level 3 R'000s	Total R'000s
Investments linked to investment contract liabilities	24 754 167	80 016 871	1 904 704	106 675 742
Investments	-	339 244	-	339 244
Third-party liabilities arising on consolidation of unit trust funds	(2 332 598)	(1 367 926)	-	(3 700 524)
Investment contract liabilities	(22 417 296)	(78 648 945)	(1 904 704)	(102 970 945)

30. Fair value (cont.)

2019	Level 1 R'000s	Level 2 R'000s	Level 3 R'000s	Total R'000s
Investments linked to investment contract liabilities	31 652 987	63 488 864	1 217 385	96 359 236
Investments	58 450	199 998	-	258 448
Third-party liabilities arising on consolidation of unit trust funds	(2 438 043)	(205 989)	-	(2 644 032)
Investment contract liabilities	(29 212 665)	(63 282 875)	(1 217 385)	(93 712 925)

	2020 R'000s	2019 R'000s
Level 3 financial instruments		
Opening balance	1 217 385	-
Disposals / additions - discretionary mandates	(177 357)	1 236 223
Additions - non-discretionary mandates*	516 967	-
Fair value adjustment included in investment contract income	347 709	(18 838)
Closing balance	1 904 704	1 217 385

The level 3 investment relates to investments in partnerships registered in Guernsey, Braavos Capital I LP (BC I LP) and Braavos Capital II LP (BC II LP), which hold unlisted shares. The partnerships are administered and valued by an independent administrator based on the last traded price of the underlying shares less expenses. If the shares have not traded for more than 12 months, the directors will consider an alternative valuation.

A subsidiary in the Group, Sygnia Life Limited, has made a commitment to invest GBP 85 million in BC I LP and GBP 20 million in BC II LP.

The shares in the general partner of BC I LP and BC II LP are indirectly owned by two directors of Sygnia Limited. The fees paid to the general partner by BC I LP and BC II LP are as follows:

	2020 R'000s	2019 R'000s
Discretionary mandates	17 633	-
Non-discretionary mandates*	1 260	-
Closing balance	18 893	-

* Mandates directly secured by Braavos Investment Advisers for which a fee is paid to Sygnia for the use of its savings wrappers and support services.

31. Principal subsidiaries and consolidated structures

Name of company	Principal place of business	Percentage of equity held 2020	Percentage of equity held 2019	Functional currency	Nature of business
Sygnia Asset Management Proprietary Limited	South Africa	100	100	ZAR	Asset Management
Sygnia Collective Investments (RF) Proprietary Limited	South Africa	100	100	ZAR	CIS Management Company
Sygnia Life Limited	South Africa	100	100	ZAR	Long Term Insurance
Sygnia Financial Services Proprietary Limited	South Africa	100	100	ZAR	Linked investment service provider
Sygnia Securities Proprietary Limited	South Africa	100	100	ZAR	Securities trading
Sygnia Benefit Administrators Proprietary Limited	South Africa	100	100	ZAR	Employee benefit administrator
Sygnia Itrix (RF) Proprietary Limited	South Africa	100	100	ZAR	ETF Management Company
Sygnia Asset Management UK Limited	England & Wales	100	100	GBP	Asset Management

Note: Subsidiaries that are in the process of being liquidated, insignificant or dormant have not been included. All subsidiaries have a year end of 30 September, except Sygnia Itrix (RF) Proprietary Limited which has a year end of 31 December. This year end aligns with the year end of the unit trust funds managed by Sygnia Itrix (RF) Proprietary Limited.

The Group consolidates the following collective investment schemes based on control:

- Sygnia International Flexible Fund of Funds
- Sygnia Health Innovation Fund
- Sygnia Skeleton International Equity Fund of Funds
- Sygnia Money Market Fund
- Sygnia FAANG Plus Equity Fund
- Sygnia 4th Industrial Revolution Global Equity Fund
- Sygnia Enhanced Income Fund

The third party liabilities associated with the unit trust funds arise as a result of the continued consolidation of the collective investment schemes.

32. Events subsequent to the reporting date

On the 1st of October 2020, 200 000 (fair value: R2.2 million) and 100 000 (fair value: R1.1 million) share options were granted to DR Hufton and M Sirkot respectively. On the 7th of December 2020, the directors proposed and approved a dividend of 70 cents per share.

33. COVID-19 pandemic

The outbreak of the COVID-19 pandemic in March 2020 has had a significant impact on the South African and international markets. This was further exacerbated by the announcement of a lock-down in South Africa from 27 March 2020. The Group continued operating during the lock-down. Even though the negative market movement impacted the Group's revenue in March 2020, markets recovered in April 2020 and the year end assets under management and administration is higher than pre-March 2020 levels. The Group continues to monitor the impact of the markets on its revenue and will adjust its cost base if required. The Group has considered the impact of COVID-19 on its financial assets at amortised cost. Trade receivables continue to be collected directly from clients' investments and unit trust funds. No receivables are past due. Cash and cash equivalents continue to be held with high credit quality financial institutions. The Group has concluded that the fair value of financial assets at amortised is equal to its carrying amount and consequently, no impairment is required.

Analysis of shareholding

Distribution of shareholders

	Number of shareholders	Number of shares
1 - 1000 Shares	1 569	434 081
1001 - 10 000 Shares	1 021	3 644 884
10 001 - 100 000 Shares	334	9 501 247
100 001 - 1 000 000 Shares	51	14 774 921
1 000 001 shares and over	7	120 047 241

Shareholders with beneficial interest of 5% or more in shares

	Number of shares
The Zatoka Trust	45 620 000
Peile Simon John Benedict Mr	44 532 444
Clifford Street Holdings Ltd	9 811 277
Ulundi Holdings	8 933 166

Public/non-public shareholders

	Percentage	Number of shareholders	Number of shares
Non-Public shareholders			
Directors	69.3%	4	102 848 627
Shares held by employees	2.1%	35	3 096 727
Ulundi Holdings	6.0%	1	8 933 166
Public shareholders	22.6%	2 942	33 523 854

Audited Consolidated Annual Financial Statements 2020

Sygnia Limited

Incorporated in the Republic of South Africa

Registration number: 2007/025416/06

JSE share code: SYG

ISIN code: ZAE000208815

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