

Reviewed Condensed Consolidated Financial Statements

for the six months ended

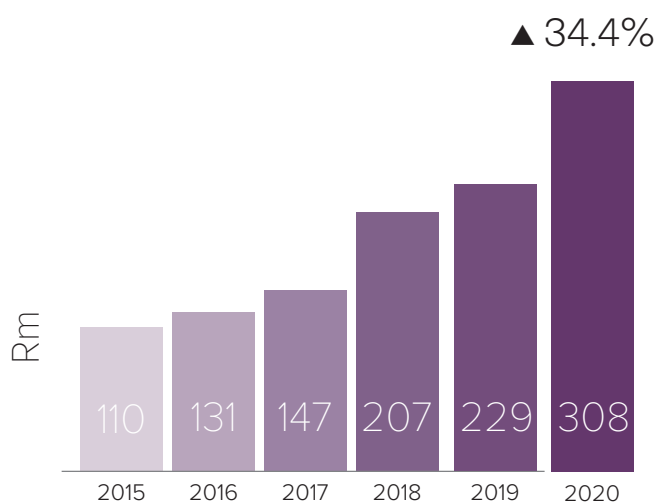
31 March 2020



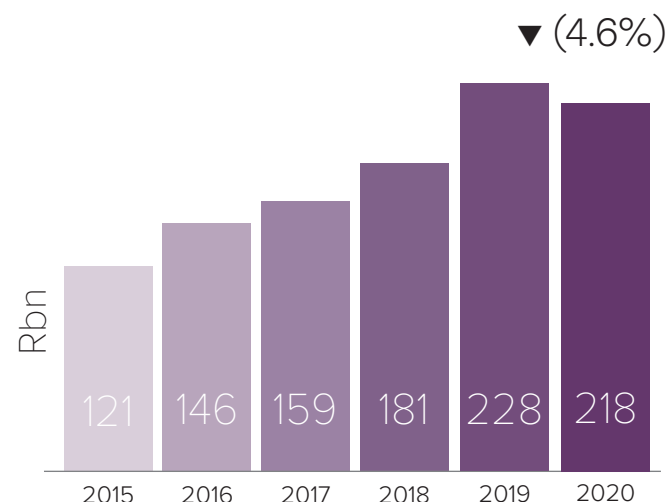
Sygnia 

Sygnia highlights: 31 March 2020

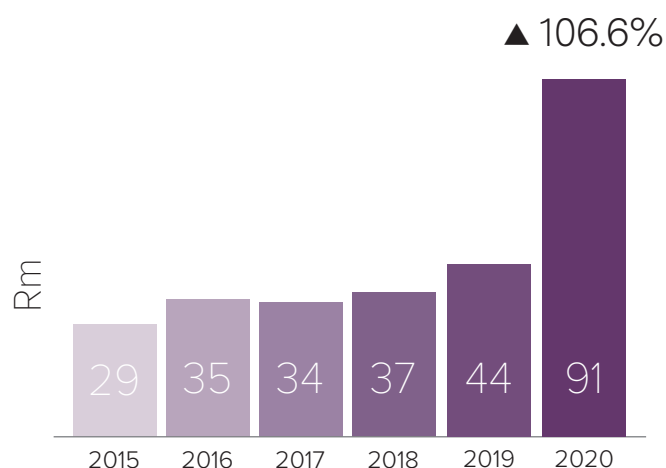
Revenue



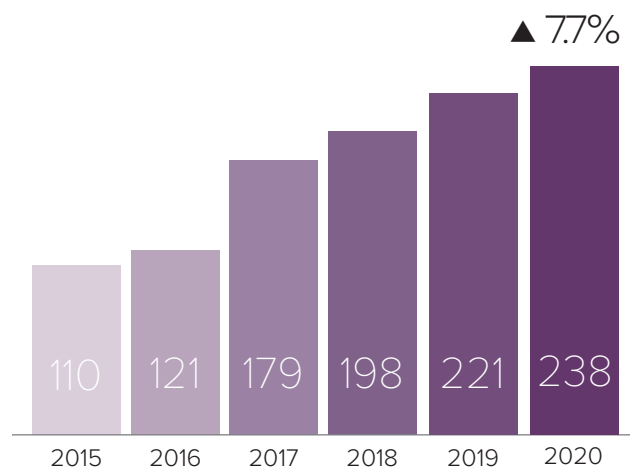
Assets under management and administration



Profit after tax



Number of staff



Interim dividend June 2020 of
40.0c PER SHARE (JUNE 2019: 25.0c)

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 Markets. The Group focuses on the provision of investment management, savings products and administration solutions to institutional and retail clients predominantly located in South Africa. The main services provided by the Group include multi-manager investment products, index-tracking investment products, customised/bespoke investment strategy management, stockbroking, transition management, investment administration/platform services and employee benefit administration services.

Directors

Name	Date of appointment	Date of resignation
HI Bhorat (Chairman) #	11/06/2015	
G Cavaleros (Lead Independent) * #	28/06/2019	
MF Wierzycka (Joint CEO)	17/09/2007	
DR Hufton (Joint CEO) ^	01/09/2018	
MA 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	

* Independent # Non-executive

^ Appointed as Joint CEO with effect from 3 April 2020

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: Sponsor:

2007/025416/06

The Standard Bank of South Africa Limited

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Commentary of the directors

The directors have pleasure in presenting their report on the activities of the Group for the six months ended 31 March 2020.

Highlights

- Assets under management and administration of R217.7 billion as at 31 March 2020 (2019: R228.1 billion), down 4.6%. Recovered to R236.6 billion as at 30 April 2020
- Revenue of R308.1 million (2019: R229.3 million), up 34.4%
- Profit (before tax and finance charges) of R139.5 million (2019: R72.6 million), up 92.1%
- Profit after tax of R91.3 million (2019: R44.2 million), up 106.6%
- Basic earnings per share of 64.1 cents (2019: 30.3 cents), up 111.6%
- Headline earnings per share of 64.1 cents (2019: 31.7 cents), up 102.2%
- Total dividend per share of 40.0 cents (2019: 25.0 cents)

Market overview

We are living through unprecedented times, as politicians worldwide weigh up the cost of human life versus economic destruction. It is a terrible ethical balancing act, and our condolences go out to all those who have lost loved ones in these grave times. From an investment perspective, the Covid-19 crisis has already dwarfed the 2007/08 financial crisis in its magnitude, human suffering and global reach.

Nothing could have prepared asset managers for what ensued in March 2020 – after a fairly benign last quarter of 2019 and a similar January and February 2020, the most significant debate revolved around whether the equity markets, taking their cue from the US markets, would continue to power ahead, whether Brexit would have a negative impact on the European Union and some concerns about global growth expectations for 2020. All this went out the window in March 2020, when governments worldwide finally appreciated the unfolding humanitarian disaster of the Covid-19 pandemic and locked down their economies and borders. This has had enormous consequences for corporations, employment and growth expectations. The sharp sell-off of all asset classes in March 2020 shocked even the most seasoned investors, but the markets recovered just as sharply in April 2020 in response to almost immediate and immense quantitative easing programmes launched by the US Treasury, the ECB and other central banks. Unfortunately, markets are not always rational. The destruction of corporate earnings and mass unemployment will not be resolved by quantitative easing, and there will not be a “V-shaped” recovery. We find ourselves in a global “new normal” and expect a huge amount of volatility to continue across asset classes over at least the next 18 to 24 months. Sentiment will continue to be affected by events such as the US elections – which will be underpinned by an escalation in the war of words between the US and China – renewed negative news flow as Covid-19 infections peak in waves, and growing debt and unemployment numbers.

South Africa suffered the additional blow of losing its last investable grade rating by Moody's, which resulted in significant outflows from our bond market and a sharp weakening of the rand. The economy, which already suffered from weak fundamentals, is now predicted to contract by over 10.5% in 2020, with our debt-to-GDP ratio projected to increase to as much as 90.0% by 2023. The loss of tax revenue, compounded by more long-term damage to sectors such as tourism, aviation, commercial real estate and retail make for a harrowing scenario.

In the six months to 31 March 2020, the FTSE/JSE All Share Index fell by 17.7% and the JSE All Bond Index by 7.1%, while the rand depreciated by 17.9% relative to the US dollar. On a twelve-month basis, the FTSE/JSE All Share Index was down 18.4%, the JSE All Bond Index was down 3.0% and the rand depreciated by 24.4%.

As a result of this volatility, the past six and twelve months have been challenging for all cyclical businesses – and particularly for the asset management industry. However, a few strong trends have started to emerge and are likely to shape the industry going forward.

/ Commentary of the directors

On the institutional side, the shrinking of the stand-alone retirement funds market caused by migration to umbrella funds continues, as the regulation and governance burden on boards of trustees becomes increasingly onerous. In addition, retrenchments of staff as a direct consequence of the Covid-19 pandemic are translating into significant outflows. Many distressed companies are reducing or suspending their contributions to retirement funds, and the impact of the strong lockdown implemented in South Africa means that this scenario is likely to continue through 2020 as corporate failures and retrenchments gain pace. On the retail side, most investors are looking to either take their savings offshore or to reduce risk and preserve capital, and many are starting to live off their discretionary savings. Accordingly, we do not expect the fundamentals to turn positive for the industry in the short term.

Despite the difficult market conditions, Sygnia's operational performance has exceeded our expectations, with profit for the period (before tax and finance charges) up 92.1%. Assets under management and administration (AUM) reduced to R217.7 billion as at 31 March 2020 (2019: R228.1 billion). On a more normalised comparison basis, given the sharp recovery in market valuations in April 2020, AUM to 30 April 2020 increased to R236.6 billion.

Investment performance review

Sygnia's investment portfolios were all very well-positioned for developments in the investment markets. The investment team's cautious view of the overvaluation of global equity markets and its quick response in the face of the unfolding pandemic in March 2020 served our clients well over the period. Sygnia's investment philosophy, with its focus on risk management and diversification, remains unchanged. We believe that our active tactical asset allocation strategies, core belief in low-cost passive investments and support for technology-driven disruptive investment themes provide adequate levers to continue to deliver value to all investors. We have also added ESG strategies to our portfolio construction where the returns are not necessarily linked to market performance.

Sygnia offers two main portfolio ranges to retirement funds: Sygnia Signature multi-manager funds and Sygnia Skeleton passive funds.

The performance of both ranges has been exceptional: Sygnia Signature 70, 60 and 50 portfolios ranked 1st in their respective survey categories over 1, 3, 5, 7 and 10 years, while the more conservative Sygnia Signature 40 portfolio ranked 2nd over 1, 3 and 5 years, and 1st over 7 and 10 years (Source: Alexander Forbes Multi-Manager Watch Survey, March 2020). The Sygnia Skeleton portfolio range performed in line with the Signature range on a gross-of-management fees basis. Most pleasingly, the Sygnia Signature 70 and Sygnia Skeleton 70 portfolios also outperformed all actively managed portfolios in the Alexander Forbes Global Large Manager Watch Survey over 10 years to 31 March 2020 while remaining in the first quartile of that survey over 1, 3, 5 and 7 years.

Over the 12 months to 31 March 2020, institutional assets under management and administration decreased by 8.1% to R183.8 billion (2019: R200.1 billion) due to market movements in March 2020, recovering to R198.8 billion by the end of April 2020.

In the retail market, Sygnia offers a wide range of domestic and global specialist index-tracking funds, as well as a range of risk-profiled global balanced funds: the Sygnia Skeleton Balanced unit trusts.

The highlights of our retail performance were:

- The Sygnia Skeleton Balanced 70 Fund, a passively managed high-equity multi-asset class unit trust, ranked 11th out of 86 unit trusts*, most of them actively managed, in the South African – Multi-Asset – High Equity category since its inception in October 2013 to March 2020.
- The Sygnia Skeleton Balanced 60 Fund, a passively managed medium-equity multi-asset class unit trust, ranked 6th out of 54 unit trusts*, most of them actively managed, in the South African – Multi-Asset – Medium Equity category since its inception in May 2014 to March 2020.

/ Commentary of the directors

- The Sygnia Skeleton Balanced 40 Fund, a passively managed low-equity multi-asset class unit trust, ranked 7th out of 74 unit trusts*, most of them actively managed, in the South African – Multi-Asset – Low Equity category since its inception in March 2014 to March 2020.
- The Sygnia 4th Industrial Revolution Global Equity Fund, a passively managed global equity unit trust, ranked 4th out of 45 unit trusts*, in the Global – Equity – General category since its inception in October 2016 to March 2020.

*Source: MoneyMate

Over the twelve months to 31 March 2020, third-party retail assets under management increased by 21.1% to R33.9 billion (2019: R28.0 billion) due to organic growth. By 30 April 2020, retail assets rose to R37.8 billion.

Business review

As a low-cost investment and savings product provider, Sygnia is well-positioned to withstand current investment market headwinds while experiencing none of the fee reduction pressures facing the financial services industry in general. Our focus on passive investing, low management fees, product innovation and technology-driven solutions has led to an overall growth in assets and investors. Sygnia is no longer regarded as a newcomer, and fourteen years after inception, Sygnia is now a well-recognised brand; this has come hand in hand with broader market recognition of the value of passive investing, an investment strategy that Sygnia has been championing since inception.

A number of strategic initiatives embarked upon by Sygnia in the past five years have started to make meaningful contributions to the business.

On the institutional side, our entry into the umbrella fund market in 2016 was well-timed. The Sygnia Umbrella Retirement Fund (SURF), with its all-in-one fee proposition, continues to gain traction, having grown its assets to R6.5 billion as at 31 March 2020 and to R7.1 billion as at 30 April 2020 (2019: R5.0 billion), making SURF the seventh-largest commercial umbrella fund in South Africa. SURF is expected to continue to grow organically and through opportunistic acquisitions.

Although Sygnia's exit from the costly funds of hedge funds strategies translated into a loss of management and performance fee revenue, it was nonetheless well-timed, with many hedge funds subsequently delivering very disappointing returns on a net-of-fees basis.

The advent of the retirement funds default regulations has led to a natural convergence of institutional and retail markets, benefiting Sygnia's retail LISP platform and its low-cost savings products. We have also embraced further regulations demanding full fee disclosure, as transparency has been a cornerstone of our business strategy since inception.

Sygnia's 2017 acquisition of the db X-trackers business from Deutsche Bank, renamed Sygnia Itrix (RF) Proprietary Limited, has made Sygnia the second-largest provider of exchange traded funds (ETFs) on the Johannesburg Stock Exchange at a time when ETFs are growing in popularity as a product class among both institutional and wealth management businesses. It has also given Sygnia the critical scale to be ranked as one of the two largest passive asset managers in South Africa. Assets under management in the Sygnia Itrix ETFs grew to R19.5 billion as at 31 March 2020 (2019: R19.0 billion), while passively managed assets decreased to R37.0 billion (2019: R38.6 billion). Once again, after the market rebound in April 2020, assets under management in the Sygnia Itrix ETFs stood at R22.2 billion, while passively managed assets grew to an overall R41.6 billion as at 30 April 2020.

Sygnia's low-cost retail savings and investment products continue to attract investors, with retail AUM growing to R33.9 billion as at 31 March 2020 (2019: R28.0 billion) and to R37.8 billion as at 30 April 2020. Sygnia's cost-effective digital marketing campaign has started to bear fruit, and awareness of our low fees and top performance is growing among both independent financial advisers and direct clients.

As the drive to create efficiencies in the administration of retirement funds continues, Sygnia's investment administration platform, Sygnia Platinum, continues to gain in popularity in the institutional market.

/ Commentary of the directors

The stockbroking operation, Sygnia Securities Proprietary Limited, has seen an increase in transaction volumes. The addition of new revenue lines, including scrip lending, introduced during the prior period, have exceeded our expectations.

In terms of product innovation, the Sygnia 4th Industrial Revolution Global Equity Fund and the Sygnia FAANG Plus Equity Fund continue to attract new investors, as do the two new products launched in the past 12 months: the Sygnia Berkshire Hathaway Fund and the Sygnia OSI Fund. The latter represents Sygnia's entry into the impact investing space. OSI ("Oxford Sciences Innovation plc") is a platform company that commercialises spin-out companies emerging from research conducted by the University of Oxford – one such company is currently a frontrunner in the development of a Covid-19 vaccine.

Key initiatives in 2020

Given the high level of market uncertainty in the months ahead, we have decided that the key focus for 2020 must be navigation of the volatile and unpredictable markets; the performance of our investment team is thus critical to our success, and we intend to continue expansion of our offshore operations by launching UK-registered Sygnia-managed unit trusts. The retail platform and infrastructure upgrade project, which has run overtime due to delays from the international technology provider, is expected to come on-stream in the fourth quarter, resulting in a significant reduction in costs, enhanced scalability and a better investor experience.

Covid-19 pandemic

Our first priority is to ensure staff safety and business continuity for our clients. While Sygnia has been classified as an essential service provider, most of our staff are working from home. The company has a strong balance sheet, is a cash flow generative business and has low levels of debt. All the assets backing our statutory capital are invested in cash and near-cash instruments, and we are closely monitoring all regulatory directives to ensure we stay up to date with developments. Our technology strategy has focused specifically on protecting the company from the risks of cyber-attacks. To contribute to the broader South African society, Sygnia has procured personal protective equipment (PPE) and is distributing it to NGOs and the underprivileged schools we support through our CSI program.

Transformation

Sygnia remains committed to being a representative South African company that embraces diversity, promotes transformation and embodies the principles of the Financial Sector Code. To that effect, we strive to improve our rankings at all times, and key focus areas are staff and management team composition, procurement policies, staff training and our participation in the YES initiative.

Financial results

Revenue in the six months to 31 March 2020 grew by 34.4% to R308.1 million (2019: R229.3 million), primarily due to an increase in investment management fees and trading income. Total expenses, at R187.6 million, rose by 13.4% (2019: R165.4 million), primarily driven by higher staff costs associated with increased business activity, increased rental costs related to the UK office, and further investment in systems related expenditure.

Finance costs incurred during the period amounted to R8.3 million (2019: R5.6 million), the increase being caused by finance costs on leased assets of R1.2 million recognised in terms of the new accounting standard: IFRS 16 Leases and an increase in funding to repurchase shares and fund operations.

The Group generated a gain on invested capital of R4.9 million (2019: R4.4 million loss); the loss in the prior period was mainly due to closing out equity and currency investments, which were substituted with fixed income investments.

Overall, profit before tax and finance charges increased by 92.1%, to R139.5 million (2019: R72.6 million).

/ Commentary of the directors

For the interim period ended 31 March 2020, basic earnings per share increased by 111.6% to 64.1 cents (2019: 30.3 cents) and headline earnings per share increased by 102.2% to 64.1 cents (2019: 31.7 cents). The difference between diluted earnings per share and diluted headline earnings per share is due to an increase in the weighted average number of shares for employee share options.

Interim dividend

Sygnia is committed to rewarding its shareholders with regular distributions of free cash flow generated. Accounting for projected cash requirements, a gross dividend of 40.0 cents per share has been declared on 9 June 2020 out of retained income, resulting in a net dividend of 32.0 cents per share for shareholders subject to dividends tax (DT).

In compliance with the JSE listings requirements, the following dates are applicable:

Last day to trade:	Tuesday, 30 June 2020
Shares trade ex-dividend:	Wednesday, 1 July 2020
Record date:	Friday, 3 July 2020
Payment date:	Monday, 6 July 2020

Share certificates may not be dematerialised or rematerialised between Wednesday, 1 July 2020 and Friday, 3 July 2020, both dates inclusive. Dividends declared after 31 March 2012 are subject to DT, where applicable. In terms of the DT, the following additional information is disclosed:

The local DT rate is 20%.

The number of ordinary shares in issue at the date of this declaration is 148 255 945.

Sygnia's tax reference number is 9334/221/16/6.

These condensed consolidated financial statements were prepared under the supervision of the Financial Director, M. Sirkot CA (SA).



Independent auditor's review report on condensed consolidated financial statements

to the shareholders of Sygnia Limited

To the Shareholders of Sygnia Limited

We have reviewed the condensed consolidated financial statements of Sygnia Limited, contained in the accompanying interim report, which comprised the condensed consolidated statement of financial position as at 31 March 2020 and the condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and selected explanatory notes.

Directors' Responsibility for the Interim Financial Statements

The directors are responsible for the preparation and presentation of these interim financial information in accordance with the International Financial Reporting Standard (IAS) 34 Interim Financial Reporting, the Financial Reporting Pronouncements as issued by Financial Reporting Standards Council 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 interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on these interim financial statements. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements are not prepared in all material respects in accordance with the applicable financial reporting framework. This standard also requires us to comply with relevant ethical requirements.

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated financial statements of Sygnia Limited for the six month period ended 31 March 2020 are not prepared, in all material respects, in accordance with the International Financial Reporting Standard (IAS) 34 Interim Financial Reporting, the Financial Reporting Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

Emphasis of Matter – Impact of the outbreak of Covid-19 on the financial statements

In forming our opinion on the condensed consolidated financial statements, which is not modified, we draw your attention to the directors' view on the impact of the Covid-19 as disclosed on pages 5 - 9, and the consideration in the going concern basis of preparation on page 15 and subsequent events note on page 24 which indicates that no adjustment was required. The group continues to assess the financial impact of Covid-19.



Partner: Yolandie Ferreira
Registered Auditor
9 June 2020

Mazars

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

Condensed consolidated statement of financial position

as at 31 March 2020

	Reviewed 31 March 2020 R'000s	Reviewed 31 March 2019 R'000s	Audited 30 September 2019 R'000s
Assets			
Intangible assets	429 516	437 281	431 392
Property and equipment	31 255	30 515	32 789
Loans receivable	49 882	12 072	53 232
Right-of-use assets	60 429	-	-
Deferred tax assets	9 281	7 234	9 352
Tax receivable	-	18 155	2 551
Investments linked to investment contract liabilities	87 330 671	86 899 278	92 470 973
Other receivables	6 474	-	3 137
Trade receivables	69 174	84 071	93 814
Investments	263 964	262 505	258 448
Amounts owing by clearing houses	39 362	634 741	-
Amounts owing by clients	73 181	14 729	306 294
Cash and cash equivalents	360 035	83 938	174 960
Total assets	88 723 224	88 484 519	93 836 942
Equity			
Stated capital	602 005	666 467	641 494
Retained earnings	248 982	163 855	209 091
Other reserves	(209 895)	(212 156)	(211 305)
Total equity	641 092	618 166	639 280
Liabilities			
Loan payable	90 633	-	50 365
Preference share liability	125 000	150 000	135 000
Lease liabilities - non-current	44 041	-	-
Third-party liabilities arising on consolidation of unit trust funds	2 493 199	1 805 430	2 644 032
Investment contract liabilities	84 833 848	84 702 407	89 824 662
Deferred tax liabilities	77 762	76 346	75 153
Tax payable	14 896	5 219	10 706
Lease liabilities - current	18 306	-	-
Trade and other payables	271 756	499 290	150 941
Amounts owing to clearing houses	38 553	-	180 985
Amounts owing to clients	74 138	626 219	125 818
Bank overdraft	-	1 442	-
Total liabilities	88 082 132	87 866 353	93 197 662
Total equity and liabilities	88 723 224	88 484 519	93 836 942

Condensed consolidated statement of profit or loss and other comprehensive income

for the period ended 31 March 2020

	Notes	Reviewed six months 31 March 2020 R'000s	Reviewed six months 31 March 2019 R'000s	Audited for the year ended 30 September 2019 R'000s
Revenue	4	308 084	229 268	508 107
Expenses		(187 580)	(165 358)	(339 394)
Profit from operations		120 504	63 910	168 713
Investment contract income		5 213 877	2 029 673	5 982 501
Transfer to investment contract liabilities		(5 213 877)	(2 029 673)	(5 982 501)
Interest income		14 095	13 079	26 266
Other investment income/(loss)		4 871	(4 413)	(701)
Finance costs		(8 282)	(5 588)	(12 399)
Profit before tax		131 188	66 988	181 879
Income tax expense		(39 932)	(22 787)	(55 938)
Total profit for the period		91 256	44 201	125 941
Other comprehensive income				
Items that may subsequently be reclassified to profit or loss:				
Foreign currency translation reserve		34	-	(18)
Total comprehensive income for the period		91 290	44 201	125 923
Earnings per share (cents)	5			
Basic		64,1	30,3	86,4
Diluted		62,9	30,0	85,8

Condensed consolidated statement of changes in equity

for the period ended 31 March 2020

	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 period	-	-	-	44 201	44 201
Dividends paid *	-	-	-	(51 165)	(51 165)
Share-based payment expense	-	-	495	-	495
Issue of shares relating to share options exercised	566	-	(194)	-	372
Balance at 31 March 2019	666 467	(252 884)	40 728	163 855	618 166
Total comprehensive income for the period	-	(18)	-	81 740	81 722
Dividends paid **	-	-	-	(36 504)	(36 504)
Share-based payment expense	-	-	1 865	-	1 865
Ordinary shares repurchased	(27 311)	-	-	-	(27 311)
Issue of shares relating to share options exercised	1 342	-	-	-	1 342
Transfer between share based payment reserve and stated capital for share options exercised	996	-	(996)	-	-
Balance at 30 September 2019	641 494	(252 902)	41 597	209 091	639 280
Adjustment on initial application of IFRS 16	-	-	-	(1 066)	(1 066)
Adjusted balance at 1 October 2019	641 494	(252 902)	41 597	208 025	638 214
Total comprehensive income for the period	-	34	-	91 256	91 290
Dividends paid *	-	-	-	(50 299)	(50 299)
Share-based payment expense	-	-	2 250	-	2 250
Ordinary shares repurchased	(42 037)	-	-	-	(42 037)
Issue of shares relating to share options exercised	1 674	-	-	-	1 674
Transfer between share based payment reserve and stated capital for share options exercised	874	-	(874)	-	-
Balance at 31 March 2020	602 005	(252 868)	42 973	248 982	641 092

* Dividends per share - 35 cents

** Dividends per share - 25 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.

Condensed consolidated statement of cash flows

for the period ended 31 March 2020

	Reviewed six months ended 31 March 2020 R'000s	Reviewed six months ended 31 March 2019 R'000s	Audited for the year ended 30 September 2019 R'000s
Profit before tax	131 188	66 988	181 879
Non-cash movements and adjustments to profit before tax	2 786	8 057	7 336
Changes in working capital and policyholder investment contract movements*	142 488	(55 977)	(6 175)
Dividends received	40	61	85
Interest received	14 446	13 079	25 689
Interest paid	(7 097)	(5 588)	(11 220)
Tax paid	(31 324)	(31 637)	(47 402)
Net cash flows from operating activities	252 527	(5 017)	150 192
Cash flows from investing activities			
Additions to property and equipment	(1 763)	(6 071)	(12 847)
Additions to intangible assets	-	(7 167)	(4 297)
Loans receivable	3 350	-	(40 494)
Purchase of investments	(71 633)	(106 335)	(81 230)
Proceeds on sale of investments	69 500	100 428	84 257
Net cash flows from investing activities	(546)	(19 145)	(54 611)
Cash flow from financing activities			
Dividends paid	(50 299)	(51 165)	(87 669)
Issue of ordinary shares	1 674	372	1 908
Preference share redemption	(10 000)	-	(15 000)
Ordinary shares repurchased	(42 037)	-	(27 311)
Loan advanced	40 268	-	50 000
Lease liabilities paid - principal portion	(6 512)	-	-
Net cash flows from financing activities	(66 906)	(50 793)	(78 072)
Net change in cash and cash equivalents	185 075	(74 955)	17 509
Cash and cash equivalents at beginning of the year	174 960	157 451	157 451
Cash and cash equivalents at end of year	360 035	82 496	174 960

Cash held in overnight settlement accounts on behalf of policyholders of Sygnia Life and clients of Sygnia Securities is included on the face of the statement of financial position under "Cash and cash equivalents" with a corresponding payable to clients included in amounts owing to clients. 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.

*The prior periods' changes in working capital and cash related to policyholder activities has been combined to changes in working capital and policyholder investment contract movements to achieve a more consistent presentation with the annual financial statements.

Notes to the condensed consolidated financial statements

for the period ended 31 March 2020

1. Accounting policies

The condensed consolidated financial statements (“interim financial statements”) comprise Sygnia Limited and its subsidiaries (“the Group”).

Basis of preparation

The interim financial statements have been prepared on a going concern basis, in accordance with and containing information required by IAS 34 Interim Financial Reporting, Financial Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act 71 of 2008 of South Africa and the JSE Listings Requirements.

The interim financial statements are presented in Rands, which is the presentation currency of the Group, and are prepared on the historical cost basis, except for the measurement of certain financial instruments which are measured at fair value.

Standards and interpretations effective and adopted in the current year

The Group adopted IFRS 16 Leases in the current period for the first time on 1 October 2019. The comparative information has not been restated and complies with the requirements of IAS 17 Leases. Other than the changes explained below, the accounting policies are consistent with those applied in the consolidated financial statements for the year ended 30 September 2019.

IFRS 16 Leases (“IFRS 16”)

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 period. The cumulative effect of adopting this standard is recognised as an adjustment to retained earnings at the beginning of the current period. 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, but discounted using the incremental borrowing rate at the date of initial application.

For leases previously accounted for as operating leases with a remaining lease term of less than 12 months and/or where the lease is for a low-value item as defined in IFRS 16, 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.

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

/ Notes to the condensed consolidated financial statements

Impact of adopting IFRS 16 on 1 October 2019

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

	As previously stated	Impact of adopting IFRS 16	Balances after adopting IFRS 16
	R'000	R'000	R'000
Right-of-use assets	-	28 441	28 441
Deferred tax assets	9 352	373	9 725
Retained earnings	209 091	(1 066)	208 025
Lease liabilities	-	30 962	30 962
Trade and other payables	150 941	(1 082)	149 859

For the period ended 31 March 2020, the total profit for the period and earnings per shares were negatively impacted by R0.2 million and 0.2 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 been split between the principal portion paid (presented within financing activities) and the finance costs paid (shown as an operating activity).



/ Notes to the condensed consolidated financial statements

2. Use of estimates and judgements

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 September 2019. As mentioned in the subsequent events note below and in the commentary of the directors, the outbreak of the Covid-19 pandemic has had an impact on local and international markets. This has been taken into account in assessing the carrying value of goodwill and forecast assumptions were adjusted accordingly. The adjustments to the forecast assumptions did not result in an impairment of goodwill at the reporting date.

3. 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. The Group provides 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 separate operations of the Group, and the CODM assesses operating performance and makes resource decisions about the Group based on the combined results of these operations. The Group has therefore concluded that the combined operations of the Group constitute one operating segment.

4. Revenue

The Group's main revenue streams are those described in the last annual financial statements. The Group's revenue is derived from contracts with customers.

	Reviewed six months ended 31 March 2020 R'000s	Reviewed six months ended 31 March 2019 R'000s	Audited for the year ended 30 September 2019 R'000s
Investment management fees*	184 279	155 083	332 347
Investment administration fees	27 638	29 647	62 576
Trading income**	96 167	43 251	113 184
Other	-	1 287	-
	308 084	229 268	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.

/ Notes to the condensed consolidated financial statements

5. Earnings and headline earnings per share

	Reviewed six months ended 31 March 2020 R'000s	Reviewed six months ended 31 March 2019 R'000s	Audited for the year ended 30 September 2019
Profit attributable to ordinary shareholders	91 256	44 201	125 941
Impairment of intangible asset (after tax)	-	2 161	2 161
Headline earnings	91 256	46 362	128 102

	Number of shares	Number of shares	Number of shares
Weighted average number of ordinary shares in issue (basic)	142 255 131	146 046 637	145 809 601
Potential number of shares issued in respect of diluted instruments	2 821 360	1 211 659	974 599
Weighted average number of ordinary shares in issue (diluted)	145 076 491	147 258 296	146 784 200

	Cents	Cents	Cents
Earnings per share (basic)	64,1	30,3	86,4
Earnings per share (diluted)	62,9	30,0	85,8
Headline earnings per share (basic)	64,1	31,7	87,9
Headline earnings per share (diluted)	62,9	31,5	87,3

Alternative performance measures			
Net asset value per share	450,7	423,3	438,4
Tangible net asset value per share	148,7	123,9	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.

6. Corporate vs third party financial information

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 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.

6. Corporate vs third party financial information (cont.)

Statement of financial position

	Reviewed as at 31 March 2020			Reviewed as at 31 March 2019			Audited as at 30 September 2019		
	Consolidated R'000s	Corporate balances R'000s	Third-party balances R'000s	Consolidated R'000s	Corporate balances R'000s	Third-party balances R'000s	Consolidated R'000s	Corporate balances R'000s	Third-party balances R'000s
Assets									
Intangible assets	429 516	429 516	-	437 281	437 281	-	431 392	431 392	-
Property and equipment	31 255	31 255	-	30 515	30 515	-	32 789	32 789	-
Loans receivable	49 882	49 882	-	12 072	12 072	-	53 232	53 232	-
Right-of-use assets	60 429	60 429	-	-	-	-	-	-	-
Deferred tax assets	9 281	9 281	-	7 234	7 234	-	9 352	9 352	-
Tax receivable	-	-	-	18 155	18 155	-	2 551	2 551	-
Investments linked to investment contract	87 330 671	-	87 330 671	86 899 278	-	86 899 278	92 470 973	-	92 470 973
Other receivables	6 474	6 474	-	-	-	-	3 137	3 137	-
Trade receivables	69 174	69 174	-	84 071	84 071	-	93 814	93 814	-
Collateral receivable	-	-	-	-	212 080	(212 080)	-	-	-
Investments	263 964	263 964	-	262 505	262 505	-	258 448	258 448	-
Amounts owing by clearing houses	39 362	-	39 362	634 741	23 251	611 490	-	-	-
Amounts owing by clients	73 181	-	73 181	14 729	-	14 729	306 294	-	306 294
Cash and cash equivalents	360 035	360 035	-	83 938	57 809	26 129	174 960	174 960	-
Total assets	88 723 224	1 280 010	87 443 214	88 484 519	1 144 973	87 339 546	93 836 942	1 059 675	92 777 267
Equity									
Stated capital and reserves	641 092	641 092	-	618 166	618 166	-	639 280	639 280	-
Total equity	641 092	641 092	-	618 166	618 166	-	639 280	639 280	-
Liabilities									
Loan payable	90 633	90 633	-	-	-	-	50 365	50 365	-
Preference share liability	125 000	125 000	-	150 000	150 000	-	135 000	135 000	-
Lease liabilities	62 347	62 347	-	-	-	-	-	-	-
Third-party liabilities arising on consolidation of unit trust funds	2 493 199	-	2 493 199	1 805 430	20 312	1 785 118	2 644 032	-	2 644 032
Investment contract liabilities	84 833 848	-	84 833 848	84 702 407	-	84 702 407	89 824 662	-	89 824 662
Deferred tax liabilities	77 762	74 138	3 624	76 346	74 474	1 872	75 153	72 874	2 279
Tax payable	14 896	14 896	-	5 219	5 219	-	10 706	10 706	-
Trade and other payables	271 756	271 756	-	499 290	66 853	432 437	150 941	150 941	-
Securities borrowing	-	-	-	-	208 507	(208 507)	-	-	-
Amounts owing to clearing houses	38 553	148	38 405	-	-	-	180 985	509	180 476
Amounts owing to clients	74 138	-	74 138	626 219	-	626 219	125 818	-	125 818
Bank overdraft	-	-	-	1 442	1 442	-	-	-	-
Total liabilities	88 082 132	638 918	87 443 214	87 866 353	526 807	87 339 546	93 197 662	420 395	92 777 267
Total equity and liabilities	88 723 224	1 280 010	87 443 214	88 484 519	1 144 973	87 339 546	93 836 942	1 059 675	92 777 267

/ Notes to the condensed consolidated financial statements

6. Corporate vs third party financial information (*cont.*)

Statement of comprehensive income

	Reviewed six months 31 March 2020			Reviewed six months 31 March 2019			Audited for the year ended 30 September 2019		
	Consolidated R'000s	Corporate balances R'000s	Third-party balances R'000s	Consolidated R'000s	Corporate balances R'000s	Third-party balances R'000s	Consolidated R'000s	Corporate balances R'000s	Third-party balances R'000s
Revenue	308 084	308 084	-	229 268	229 268	-	508 107	508 107	-
Expenses	(187 580)	(187 580)	-	(165 358)	(165 358)	-	(339 394)	(339 394)	-
Profit from operations	120 504	120 504	-	63 910	63 910	-	168 713	168 713	-
Investment contract income	5 213 877	-	5 213 877	2 029 673	-	2 029 673	5 982 501	-	5 982 501
Transfer to investment contract liabilities	(5 213 877)	-	(5 213 877)	(2 029 673)	-	(2 029 673)	(5 982 501)	-	(5 982 501)
Interest income	14 095	14 095	-	13 079	13 079	-	26 266	26 266	-
Other investment income/(loss)	4 871	4 871	-	(4 413)	(4 413)	-	(701)	(701)	-
Finance costs	(8 282)	(8 282)	-	(5 588)	(5 588)	-	(12 399)	(12 399)	-
Profit before tax	131 188	131 188	-	66 988	66 988	-	181 879	181 879	-
Income tax expense	(39 932)	(39 932)	-	(22 787)	(22 787)	-	(55 938)	(55 938)	-
Total profit for the period	91 256	91 256	-	44 201	44 201	-	125 941	125 941	-
Foreign currency translation reserve	34	34	-	-	-	-	(18)	(18)	-
Total comprehensive income for the period	91 290	91 290	-	44 201	44 201	-	125 923	125 923	-

/ Notes to the condensed consolidated financial statements

7. Fair value

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

	Reviewed six months ended 31 March 2020 R'000s	Reviewed six months ended 31 March 2019 R'000s	Audited for the year ended 30 September 2019 R'000s
Financial assets at fair value through profit or loss			
Consolidated statement of financial position			
Investments linked to investment contract liabilities	87 330 671	86 899 278	92 470 973
Investments	263 964	262 505	258 448
	87 594 635	87 161 783	92 729 421
Consolidated statement of profit or loss and other comprehensive income			
Investment contract income	5 213 877	2 029 673	5 982 501
Other investment income/(loss)	4 871	(4 413)	(701)
	5 218 748	2 025 260	5 981 800
Financial assets at amortised cost			
Consolidated statement of financial position			
Loans receivable	49 882	12 072	53 232
Trade receivables	69 174	84 071	93 814
Amounts owing by clearing houses	39 362	634 741	-
Amounts owing by clients	73 181	14 729	306 294
Cash and cash equivalents	360 035	83 938	174 960
	591 634	829 551	628 300
Consolidated statement of profit or loss and other comprehensive income			
Interest income	14 095	13 079	26 266
	14 095	13 079	26 266

/ Notes to the condensed consolidated financial statements

7. Fair value (cont.)

	Reviewed six months ended 31 March 2020 R'000s	Reviewed six months ended 31 March 2019 R'000s	Audited for the year ended 30 September 2019 R'000s
Financial liabilities at fair value through profit or loss			
Consolidated statement of financial position			
Investment contract liabilities	84 833 848	84 702 407	89 824 662
Third-party liabilities arising on consolidation of unit trust funds	2 493 199	1 805 430	2 644 032
	87 327 047	86 507 837	92 468 694
Consolidated statement of profit or loss and other comprehensive income			
Transfer to investment contract liabilities	(5 213 877)	(2 029 673)	(5 982 501)
	(5 213 877)	(2 029 673)	(5 982 501)
Financial liabilities at amortised cost			
Consolidated statement of financial position			
Loan payable	90 633	-	50 365
Preference share liability	125 000	150 000	135 000
Lease liabilities	62 347	-	-
Trade and other payables	271 756	499 290	150 941
Amounts owing to clearing houses	38 553	-	180 985
Amounts owing to clients	74 138	626 219	125 818
Bank overdraft	-	1 442	-
	662 427	1 276 951	643 109
Consolidated statement of profit or loss and other comprehensive income			
Finance costs	(8 282)	(5 588)	(12 399)
	(8 282)	(5 588)	(12 399)

/ Notes to the condensed consolidated financial statements

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, fixed interest securities and cash and cash equivalents.

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 collective investment schemes, hedge funds, investments in insurance policies, investment contract portfolio debtors and investment contract portfolio accrued interest. Collective investment schemes, hedge funds and investments in insurance policies are valued at the price provided by the management company, hedge fund manager and insurer respectively. The fair value of investment contract portfolio debtors and accrued interest is linked to the value of the debtors.

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 an unlisted private equity fund.

	Level 1 R'000s	Level 2 R'000s	Level 3 R'000s	Total R'000s
Reviewed six months to 31 March 2020				
Investments linked to investment contract liabilities	24 428 479	61 126 475	1 775 817	87 330 671
Investments	68 083	195 881	-	263 964
Third-party liabilities arising on consolidation of unit trust funds	(2 493 199)	-	-	(2 493 199)
Investment contract liabilities	(21 931 556)	(61 126 475)	(1 775 817)	(84 833 848)
	71 707	195 881	-	267 588
Reviewed six months to 31 March 2019				
Investments linked to investment contract liabilities	33 138 224	53 761 054	-	86 899 278
Investments	81 702	180 803	-	262 505
Third-party liabilities arising on consolidation of unit trust funds	(1 805 430)	-	-	(1 805 430)
Investment contract liabilities	(31 332 794)	(53 369 613)	-	(84 702 407)
	81 702	572 244	-	653 946
Audited twelve months to 30 September 2019				
Investments linked to investment contract liabilities	31 652 987	59 600 601	1 217 385	92 470 973
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)	(59 394 612)	(1 217 385)	(89 824 662)
	60 729	199 998	-	260 727

/ Notes to the condensed consolidated financial statements

	Reviewed six months ended 31 March 2020 R'000s	Reviewed six months ended 31 March 2019 R'000s	Audited for the year ended 30 September 2019 R'000s
Level 3 financial instruments			
Opening balance	1 217 385	-	-
Additions	264 915	-	1 236 223
Fair value adjustment included in investment contract income	293 517	-	(18 838)
Closing balance	1 775 817	-	1 217 385

The level 3 investment relates to a UK limited liability partnership that holds unlisted Oxford Sciences Innovation plc shares. These shares have been valued at the last traded price by the partnership. This value is supported by the net asset value per share of Oxford Sciences Innovation plc (which carries all its underlying investments at fair value) at 31 March 2020, adjusted as necessary for partnership expenses. If the shares do not trade for more than 12 months, the directors will consider an alternate valuation, including the net asset value per share calculated by Oxford Sciences Innovation plc relating to the underlying investments held.

8. Related-party transactions

Related-party transactions similar to those disclosed in the Group's financial statements for the year ended 30 September 2019 took place during the period under review. As explained in the SENS announcement dated 12 March 2020, a new related party relationship came into effect between one of the UK subsidiary companies and a UK partnership, of which the partners are two directors of Sygnia Limited. Transactions from this relationship had an insignificant impact to the Group during the current period.

9. Events subsequent to the reporting date

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 Group's revenue is back to a more normalised level. Accordingly, while the Group treated the impact of Covid-19 as an adjusting event, it did not result in any significant adjustments to the Group's financial statements for the period ended 31 March 2020. The Group continues to monitor the impact of the markets on its revenue and will adjust its cost base if required.

On 9 June 2020, the directors declared a dividend of 40.0 cents per share.



Reviewed Condensed Consolidated Financial Statements 2020

Sygnia Limited

Incorporated in the Republic of South Africa

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ISIN code: ZAE000208815

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