

Audited Summarised Consolidated Annual Financial Statements

for the year ended
30 September 2021



Sygnia 

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Highlights

For the year ended 30 September 2021

Assets under management
and administration

R296.4bn (2020: R251.8 billion)
↗ **17.7%**

Revenue

R737.2m (2020: R661.0 million)
↗ **11.5%**

Profit after tax

R240.9m (2020: R206.1 million)
↗ **16.9%**

Basic earnings and headline
earnings per share

170.7c (2020: 146.4 cents)
↗ **16.6%**

Total dividend
per share

135c (2020: 110 cents)
↗ **22.7%**

Corporate information

Annual general meeting: 27 January 2022 at 10:00am held entirely by electronic communication
Share code (ordinary shares): SYG
ISIN: ZAE000208815

Board of Directors

Name	Date of appointment	Date of resignation
MF Wierzycka (Chairperson) #	17/09/2007	
DR Hufton (CEO) #	01/09/2018	
MA Sirkot (Financial Director) #	16/01/2019	
WA Wierzycki #	10/06/2021	
G Cavaleros (Lead Independent) *	28/06/2019	
HI Bhorat *	11/06/2015	
MH Jonas *	01/09/2018	
C Appana *	08/09/2020	
J Boyd *	29/07/2021	
A Crawford-Brunt ^	01/11/2018	29/01/2021
R Sithubi *	26/02/2019	31/12/2020
H Mayers *	01/01/2021	29/07/2021

* Independent Non-executive Director ^ Non-executive Director # Executive Director

Registered office:

7th Floor, The Foundry
Cardiff Street
Green Point
8001

Postal address:

PO Box 51591
Waterfront
8002

Company registration number

2007/025416/06

Company secretary:

G MacLachlan
Appointed: 01/11/2016

Sponsor:

The Standard Bank of South Africa Limited
5 Simmonds Street, Selby,
Johannesburg, 2001

External auditor:

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

Transfer secretaries:

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

Directors' report

The directors have pleasure in presenting their report on the activities of the Group for the year ended 30 September 2021.

Highlights

- Assets under management and administration of R296.4 billion as at 30 September 2021 (2020: R251.8 billion), up 17.7%.
- Revenue of R737.2 million (2020: R661.0 million), up 11.5%.
- Profit after tax of R240.9 million (2020: R206.1 million), up 16.9%.
- Headline earnings per share of 170.7 cents (2020: 146.4 cents), up 16.6%, and diluted headline earnings per share of 166.1 cents (2020: 143.7 cents), up 15.6%.
- Total dividend per share of 135.0 cents (2020: 110.0 cents).

Financial performance

Despite another challenging and economically turbulent environment for cyclical businesses such as Sygnia, assets under management and administration increased by 17.7% to R296.4 billion as at 30 September 2021 (2020: R251.8 billion). During the same period the FTSE/JSE All Share Index returned 23.2%, the JSE All Bond Composite Index 12.5% and the MSCI World Index, in SA Rands, 16.2%. 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 retrenchments in South Africa.

The Sygnia-managed range of funds continue to rank in the top quartile of performance surveys across most risk profiles over the medium- to long-term. This performance is a mixture of low-cost strategies and a strong focus on macroeconomic trends, which drive active asset allocation decisions. Our superior long-term performance has been a strong factor behind our growing presence in the retail market.

In addition, the Group has launched several new funds in line with customers' demands, which has contributed 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 and the largest South African provider of international ETFs.

Total revenue for the year rose 11.5% to R737.2 million (2020: R661.0 million), while total expenses, at R411.9 million, increased by 7.9% (2020: R381.9 million). The increase in expenses was primarily driven by higher staff costs associated with increased business activity. The decrease in interest income and finance costs to R19.6 million (2020: R26.3 million) and R12.4 million (2020: R16.4 million) respectively, primarily relates to the decrease in interest rates. The decrease in other investment income to R4.2 million (2020: R8.5 million) is mainly due to fluctuations of the rand.

Profit after tax increased by 16.9% to R240.9 million (2020: R206.1 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. To that end, Sygnia has launched a number of Ireland-registered funds post year-end. These funds will be distributed to South African clients with existing offshore investments, as well as through international platform providers.

Corporate services

Sygnia offers the following services:

- 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 management of segregated portfolios.
- A full range of savings products, including retirement annuities, tax-free savings accounts, investment policies, living annuities, and preservation funds.
- Institutional investment administration services.
- Employee benefits services, including the Sygnia Umbrella Retirement Fund.
- Execution-only stockbroking, and securities lending and foreign exchange transacting services.

Although we may conclude strategic acquisitions where these are regarded as being value-accretive and consistent or complementary to our core strategy we continue to focus on organically growing assets under management supported by strong investment performance at low cost, a commitment to ongoing innovation and the relentless pursuit of superior customer service.

Passive investing is on the rise in South Africa, and Sygnia is well positioned to take advantage of a growing scepticism among investors about the more expensive alternative of active management, especially in a low-return environment. Thematic investing is also gaining in popularity, and our niche funds continue to enjoy good flows.

Market conditions

While 2020 has seen a remarkable recovery in markets from the Covid-induced recession, it has also brought with it the shadow of rising inflation for the first time since the global financial crisis. This fear of rising prices has also led to the realisation that central banks around the globe will need to normalise monetary policy and end the great liquidity experiment, which has greatly benefitted markets like South Africa. The rand has strengthened close to 10% over the past year, but as a nation we still have a large fiscal imbalance to contend with. Positive terms of trade, notably from high commodity prices, also provided tailwinds for the local currency, but supply chain bottlenecks and the energy crisis will soon turn these to headwinds, and the fiscus will have to be very disciplined to avoid a debt trap.

Within our managed portfolios, we are still positioned for a low-growth, low-return environment framework, with the world experiencing financial repression as the role of governments and central banks intensifies. Central banks are keeping interest rates lower for longer via quantitative easing ("QE"), which is reducing real rates to negative, and this effective tax on savings is likely to continue. QE also has the unfortunate consequence of increasing inequality by driving up the price of assets. To counter this, governments will have to increase direct taxes to pay for initiatives such as large fiscal infrastructure and Covid-19 support programmes. For similar reasons, governments have increased prescribed assets and retirement fund-partnered projects, which has led to a crowding out of private investment and lower growth.

Our local equity market was supported over the past 12 months by a successful global vaccination rollout and easing economic restrictions, which saw the FTSE/JSE SWIX Index return 22.9%. The FTSE/JSE Capped SWIX Index (which caps exposure to any one stock at 10%) performed even better, returning 30.3%, due primarily to the turmoil in China. The Chinese government is aggressively pursuing its policy of "common prosperity", which turned a spotlight on the unchecked growth of its many global technology companies. This had a knock-on effect domestically with the Naspers/Prosus group being particularly hard hit due to their large holding in Chinese internet giant Tencent, which remains on the right side of government policy and a recovery is likely for this stock.

We anticipate that China, and the global economy, will be affected by three issues in the coming years. Firstly, despite widespread fears of increased government oversight, the Chinese government is not intent on outright crippling their technology companies and their top regulators have reassured investors that stricter rules are not aimed at stifling the private sector. Secondly, while the default of property development company Evergrande has raised concerns over the scope of China's housing slowdown and how sustained the broader contagion will be, it is expected that Beijing will continue to balance Common Prosperity with economic stability. Although it is likely that Evergrande shareholders and bondholders will be sacrificed, the real estate sector and the Chinese economy will survive. Thirdly, China's monetary policy is becoming more stimulative with the People's Bank of China cutting bank reserve requirements in July and in September the State Council announced an additional RMB 300 billion in credit support for small and mid-sized enterprises.

South Africa continues to enjoy historically low interest rates, even after the South African Reserve Bank ("SARB") raised the benchmark repo rate by 25 basis points during November 2021 to 3.75%. However, the SARB's rates model suggests a much faster-tightening path than previously indicated and now forecasts the benchmark rate at 6.0% by the end of 2023. The prime lending rate of commercial banks remains close to a five-decade low of 7.25%, and while this has helped consumers and businesses contend with various lockdown restrictions, it will be difficult for the SARB to maintain such low rates.

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 financial statements that significantly affect the financial position of the Group or the results of its operations.

Going concern

The consolidated 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 149 633 224 (2020: 148 402 374) shares in issue at the end of the year. 1 230 850 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 2021 of 80.0 cents per share has been declared out of income reserves, resulting in a net dividend of 64.0 cents per share for shareholders after Dividends Tax ("DT"). Together with the interim gross dividend of 55.0 cents per share, this amounts to a total gross dividend of 135.0 cents per share (2020: 110.0 cents per share).

Last day to trade: Tuesday, 28 December 2021

Shares trade ex dividend: Wednesday, 29 December 2021

Record date: Friday, 31 December 2021

Payment date: Monday, 3 January 2022

Share certificates may not be dematerialised or rematerialised between Wednesday, 29 December 2021, and Friday, 31 December 2021, 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 149 633 224;
- Sygnia's tax reference number is 9334/221/16/6.

Approval of annual financial statements

These audited summarised consolidated financial statements were approved by the board of directors on 6 December 2021.

Audited summarised consolidated statement of financial position

as at 30 September 2021

	Notes	2021 R'000s	2020 R'000s
Assets			
Intangible assets	6	412 360	428 526
Property and equipment		21 877	27 479
Loans receivable		50 113	55 114
Right-of-use assets		28 659	47 894
Deferred tax assets		8 155	6 046
Investments linked to investment contract liabilities		126 641 861	106 675 742
Other receivables		6 920	4 234
Trade receivables		99 629	73 415
Investments		322 052	339 244
Amounts owing by clearing houses		2 826	831
Amounts owing by clients		410 046	95 380
Cash and cash equivalents		460 481	259 683
Total assets		128 464 979	108 013 588
Equity			
Stated capital	7	652 011	603 173
Retained earnings		366 154	308 129
Reserves		(237 067)	(208 461)
Total equity		781 098	702 841
Attributable to the owners of the parent		780 802	702 841
Attributable to non-controlling interest		296	-
Liabilities			
Loan payable - Non-current	8	-	90 366
Preference share liability - Non-current		-	100 000
Lease liabilities - Non-current		14 036	32 057
Deferred tax liabilities		80 154	74 039
Third-party liabilities arising on consolidation of unit trust funds		2 972 447	3 700 524
Investment contract liabilities		123 659 093	102 970 945
Tax payable		26 387	1 662
Loan payable - Current	8	65 276	-
Preference share liability - Current		100 000	-
Lease liabilities - Current		18 146	18 997
Trade and other payables		335 649	225 792
Amounts owing to clearing houses		95 709	24 740
Amounts owing to clients		316 984	71 625
Total liabilities		127 683 881	107 310 747
Total equity and liabilities		128 464 979	108 013 588

Audited summarised consolidated statement of profit or loss and other comprehensive income

for the year ended 30 September 2021

	Notes	2021 R'000s	2020 R'000s
Revenue	9	737 198	661 009
Operating expenses	9	(411 885)	(381 886)
Profit from operations	9	325 313	279 123
Investment contract income		16 156 826	11 279 447
Transfer to investment contract liabilities		(16 156 826)	(11 279 447)
Interest income		19 595	26 315
Other investment income		4 156	8 536
Finance costs		(12 437)	(16 408)
Profit before tax		336 627	297 566
Income tax		(95 680)	(91 484)
Profit after tax		240 947	206 082
Other comprehensive income			
<i>Items that may subsequently be reclassified to profit or loss:</i>			
Foreign currency translation reserve		223	(6)
Total comprehensive income for the year		241 170	206 076
Profit attributable to:			
Owners of the parent		240 443	206 082
Non-controlling interest		504	-
		240 947	206 082
Total comprehensive income attributable to:			
Owners of the parent		240 666	206 076
Non-controlling interest		504	-
		241 170	206 076
Earnings per share (cents)	10		
Basic		170.7	146.4
Diluted		166.1	143.7

Audited summarised consolidated statement of changes in equity

for the year ended 30 September 2021

Attributable to equity holders of the group

	Notes	Stated capital R'000s	Other reserves R'000s	Share-based payment reserve R'000s	Retained earnings R'000s	Non-controlling interest R'000s	Total equity R'000s
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	9	-	-	4 109	-	-	4 109
Ordinary shares repurchased	7	(42 037)	-	-	-	-	(42 037)
Issue of shares relating to share options exercised	7	2 457	-	-	-	-	2 457
Transfer between share based payment reserve and stated capital for share options exercised	7	1 259	-	(1 259)	-	-	-
Balance at 30 September 2020		603 173	(252 908)	44 447	308 129	-	702 841
Acquisition of non-controlling interest		-	-	-	-	22	22
Total comprehensive income for the year		-	223	-	240 443	504	241 170
Dividends paid **		-	-	-	(182 418)	(230)	(182 648)
Share-based payment expense	9	-	-	8 377	-	-	8 377
Capital distribution ***	7	(71 824)	-	-	-	-	(71 824)
Issue of shares	7	83 160	-	-	-	-	83 160
Transfer between share based payment reserve and stated capital	7	37 502	-	(37 502)	-	-	-
Balance at 30 September 2021		652 011	(252 685)	15 322	366 154	296	781 098

* Dividends per share - 75 cents

** Dividends per share - 125 cents

*** Capital distribution per share - 48 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.

Audited summarised consolidated statement of cash flows

for the year ended 30 September 2021

	Notes	2021 R'000s	2020 R'000s
Cash flows from operating activities			
Cash flows from operations		389 269	407 664
Dividends received		56	80
Interest received		20 679	25 025
Interest paid		(12 527)	(16 430)
Tax paid		(80 555)	(96 881)
Net cash flows from operating activities		316 922	319 458
Cash flows from investing activities			
Additions to property and equipment		(2 720)	(2 550)
Loans advanced		(4 994)	(3 855)
Loans repaid		10 016	1 973
Purchase of investments		(67 433)	(244 457)
Proceeds on sale of investments		90 936	169 629
Net cash flows from investing activities		25 805	(79 260)
Cash flows from financing activities			
Dividends paid		(182 648)	(106 043)
Issue of ordinary shares	7	83 160	2 457
Preference share redemption		-	(35 000)
Ordinary shares repurchased		-	(42 037)
Loan advanced	8	-	40 000
Loan repaid	8	(25 000)	-
Lease liabilities paid - principal portion		(18 343)	(13 532)
Net cash flows from financing activities		(142 831)	(154 155)
Net change in cash and cash equivalents		199 896	86 043
Cash and cash equivalents at beginning of the year		259 683	174 960
Exchange gains on cash and cash equivalents		902	(1 320)
Cash and cash equivalents at end of year		460 481	259 683

Note to the statement of cash flows:

Cash held in overnight settlement accounts on behalf of policyholders of Sygnia Life Limited 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 audited summarised consolidated financial statements

for the year ended 30 September 2021

1. Basis of preparation

The audited summarised consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, and the requirements of the Companies Act, 71 of 2008, applicable to summary financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts, and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting ("IAS 34"). The accounting policies and methods of computation applied in the preparation of the audited summarised consolidated annual financial statements are in accordance with International Financial Reporting Standards. The audited summarised consolidated annual financial statements and the full set of audited consolidated annual financial statements were prepared under the supervision of M Sirkot CA (SA) and approved by the board of directors on 6 December 2021. The full consolidated annual financial statements for the year ended 30 September 2021, will be published on 7 December 2021.

2. Audit opinion

The auditors, Mazars, have issued their unmodified audit opinion on the consolidated annual financial statements for the year ended 30 September 2021. The audit was conducted in accordance with International Standards on Auditing. These summarised financial statements, which have not themselves been audited, have been derived from the consolidated annual financial statements, with which they are consistent in all material respects. Copies of the audit reports and the full consolidated annual financial statements are available for inspection at the company's registered office. The summarised consolidated annual financial statements are the responsibility of the directors and is only a summary of the information contained in the consolidated annual financial statements. Any investment decisions by investors and/or shareholders should be based on consideration of the consolidated annual financial statements on the Company's website (www.sygnia.co.za). Any reference to future financial performance included in this announcement has not been reviewed or reported on by the company's auditors.

3. Use of estimates and judgements

The preparation of the audited summarised 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 determination of the incremental borrowing rate applicable to leases. 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.

4. 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 2019, 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.

5. Accounting policies

The accounting policies and methods of computation applied in the presentation of the audited summarised financial statements are in terms of IFRS and are consistent with those presented in the 2020 annual financial statements.

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.

6. Intangible assets

2021	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	19 880	1 170	441 809
Refund*	-	-	-	(13 908)	-	(13 908)
Closing balance	149 698	253 885	17 176	5 972	1 170	427 901
Accumulated amortisation and impairment						
Opening balance	(31)	-	(6 929)	(5 972)	(351)	(13 283)
Amortisation	-	-	(2 141)	-	(117)	(2 258)
Closing balance	(31)	-	(9 070)	(5 972)	(468)	(15 541)
Carrying amount	149 667	253 885	8 106	-	702	412 360
2020						
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)
Disposal / 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

Goodwill consists mainly of amounts relating to two separate cash generating units ("CGUs"), namely SURF 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 (2020: R18.5 million) and to Sygnia Itrix is R130.8 million (2020: R130.8 million).

*The refund relates to amounts previously paid to a third party provider that will be repaid due to delays on a re-platforming project. This refund has been included in trade receivables.

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 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. The growth rate and terminal growth rate is based on historical information.

Impairment evaluation of goodwill

The assumptions below have been used in estimating the value in use of the SURF and Sygnia Itrix CGUs:

	SURF %		Sygnia Itrix %	
	2021	2020	2021	2020
Risk-free rate (10 year Government bond)	9.44	9.45	9.44	9.45
Growth rate	5.00	3.00	4.50	3.30
Terminal growth rate	4.17	4.17	4.52	3.67
Discount rate	30.12	30.13	29.43	29.44

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 have been used in estimating the value in use of management contracts within the Sygnia Itrix CGU:

	2021 %	2020 %
Risk-free rate (10 year Government bond)	9.44	9.45
Terminal growth rate	3.30	3.60
Discount rate	29.43	29.44

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

Impairment evaluation of customer relationships and licenses

There were no impairment indicators for customer relationships and licences. Refer to note 14 for an assessment of the COVID-19 pandemic.

7. Stated capital**Authorised**

500,000,000 Ordinary shares with no par value (2020: 500,000,000).

Issued	2021 Number of shares	2020 Number of shares	2021 R'000s	2020 R'000s
Opening balance #	148 402 374	152 242 847	603 173	641 494
Ordinary shares repurchased	-	(4 319 041)	-	(42 037)
Capital distribution	-	-	(71 824)	-
Issue of shares relating to in-substance share options exercised by Ulundi Holdings (Pty) Ltd *#	-	-	73 000	-
Issue of shares relating to share options exercised	1 230 850	478 568	10 160	2 457
Transfer between share based payment reserve and stated capital for in-substance share options exercised by Ulundi Holdings (Pty) Ltd	-	-	33 584	-
Transfer between share based payment reserve and stated capital for share options exercised	-	-	3 918	1 259
Closing balance	149 633 224	148 402 374	652 011	603 173

* Exercise price - R8.17 per share

In prior years Sygnia issued 8 933 166 ordinary shares to Ulundi Holdings (Pty) Ltd, which is included in the opening balance, in exchange for preference shares in this entity. The issue of these ordinary shares and the preference share investment were recognised as share options issued to Ulundi Holdings (Pty) Ltd. These 8 933 166 ordinary shares have been excluded for the purposes of the earnings and headline earnings per share calculations. They were instead aggregated and accounted for as a share-based payment. In the current year, Ulundi Holdings (Pty) Ltd sold its Sygnia ordinary shares for R16 per share and redeemed the preference shares. This redemption has been accounted for as the exercise of the in-substance share option by Ulundi Holdings (Pty) Ltd and accordingly the R73 million received is presented as the receipt of the option exercise price within stated capital.

In the prior year, the ordinary shares were repurchased at an average price of R9.73 and were cancelled before year end.

On 28 September 2021, the directors proposed and approved a capital distribution of 48 cents per share as a return of contributed tax capital.

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.

8. Loan payable

	2021 R'000s	2020 R'000s
Opening balance	90 366	50 365
Repayment	(25 000)	-
Facility drawdown	-	40 000
Interest accrued	3 944	5 363
Interest repaid	(4 034)	(5 362)
Closing balance	65 276	90 366

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. These companies are subject to financial covenants including interest, leverage and obligor cover ratios and AUM levels, which are monitored. The Group did not come close to breaching any of these covenants during the year. We are negotiating an extension of the facility with Standard Bank.

9. Profit from operations

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

	2021 R'000s	2020 R'000s
Revenue		
Investment management fees *	476 387	405 519
Administration fees	107 198	80 682
General partner fees *	8 219	14 040
Treasury income **	101 249	107 432
Securities lending income **	13 149	26 109
Brokerage income **	30 996	27 227
	737 198	661 009

* The general partner fees in the prior year have been disclosed separately from investment management fees to achieve a more consistent presentation with the current period financial statements. General partner fees are earned in the United Kingdom by Sygnia Asset Management UK Limited.

** Treasury income, securities lending income and brokerage income were shown together as trading income in the prior year.

	2021 R'000s	2020 R'000s
Operating expenses include:		
Short-term operating lease	-	12 060
Asset management fees	28 740	21 717
Staff costs (excluding share options costs)	215 480	187 356
Share-based payment expense	8 377	4 109
Trading, custody and administration costs	30 246	28 086

10. Earnings and headline earnings per share

	2021 R'000s	2020 R'000s
Profit attributable to ordinary shareholders	240 443	206 082
Headline earnings	240 443	206 082

	Number of shares	Number of shares
Weighted average number of ordinary shares in issue (basic)	140 825 446	140 790 102
Potential number of shares issued in respect of diluted instruments	3 969 841	2 651 118
Weighted average number of ordinary shares in issue (diluted)	144 795 287	143 441 220

	2021 Cents	2020 Cents
Earnings per share (basic)	170.7	146.4
Earnings per share (diluted)	166.1	143.7
Headline earnings per share (basic)	170.7	146.4
Headline earnings per share (diluted)	166.1	143.7

	2021 Cents	2020 Cents
Alternative performance measures		
Net asset value per share	522.0	499.2
Tangible net asset value per share	246.4	194.8

The tangible net asset value per share is the net asset value, excluding intangible assets, divided by the number of ordinary shares in issue at the end of the period.

11. 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:

	2021 R'000s	2020 R'000s
Financial assets at fair value through profit or loss		
<i>Summarised consolidated statement of financial position</i>		
Investments linked to investment contract liabilities	126 641 861	106 675 742
Investments	322 052	339 244
	126 963 913	107 014 986
<i>Summarised consolidated statement of profit or loss and other comprehensive income</i>		
Investment contract income	16 156 826	11 279 447
Other investment income	4 156	8 536
	16 160 982	11 287 983
Financial assets at amortised cost		
<i>Summarised consolidated statement of financial position</i>		
Loans receivable	50 113	55 114
Trade receivables	99 629	73 415
Amounts owing by clearing houses	2 826	831
Amounts owing by clients	410 046	95 380
Cash and cash equivalents	460 481	259 683
	1 023 095	484 423
<i>Summarised consolidated statement of profit or loss and other comprehensive income</i>		
Interest income	19 595	26 315
	19 595	26 315
Financial liabilities at fair value through profit or loss		
<i>Summarised consolidated statement of financial position</i>		
Investment contract liabilities	123 659 093	102 970 945
Third-party liabilities arising on consolidation of unit trust funds	2 972 447	3 700 524
	126 631 540	106 671 469
<i>Summarised consolidated statement of profit or loss and other comprehensive income</i>		
Transfer to investment contract liabilities	(16 156 826)	(11 279 447)
	(16 156 826)	(11 279 447)

	2021 R'000s	2020 R'000s
Financial liabilities at amortised cost		
<i>Summarised consolidated statement of financial position</i>		
Loan payable	65 276	90 366
Preference share liability	100 000	100 000
Lease liabilities	32 182	51 054
Trade and other payables	335 649	221 457
Amounts owing to clearing houses	95 709	24 740
Amounts owing to clients	316 984	71 625
	945 800	559 242
<i>Summarised consolidated statement of profit or loss and other comprehensive income</i>		
Finance costs	(12 437)	(16 408)
	(12 437)	(16 408)

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 unlisted private equity investment, 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. The unlisted private equity investment was valued at the last traded price, which occurred during the month of September 2021.

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 limited liability partnership investments.

	Level 1 R'000s	Level 2 R'000s	Level 3 R'000s	Total R'000s
2021				
Investments linked to investment contract liabilities	29 917 979	92 914 524	3 809 358	126 641 861
Investments	-	322 052	-	322 052
Third-party liabilities arising on consolidation of unit trust funds	(2 102 386)	(870 061)	-	(2 972 447)
Investment contract liabilities	(27 815 593)	(92 034 142)	(3 809 358)	(123 659 093)
2020				
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)

	2021 R'000s	2020 R'000s
Level 3 financial instruments		
Opening balance	1 904 704	1 217 385
Disposals - discretionary mandates	(440 287)	(177 357)
Additions - non-discretionary mandates*	1 707 443	516 967
Fair value adjustment included in investment contract income	637 498	347 709
Closing balance	3 809 358	1 904 704

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) and a limited liability partnership registered in the UK, Sygnia Ventures LP. The partnerships are administered and valued by an independent administrator. On a quarterly basis, the independent administrator provides adjusted net asset values (assets less liabilities) to each partner. Assets include listed and unlisted investments. Liabilities include carried interest accruals amounting to GBP 8.8 million (2020: GBP 0). Carried interest is only payable if certain performance conditions are met when a fund is wound up. A summary of the valuation policy applied to listed and unlisted investments is as follows:

- Listed investments - the fair values of financial instruments traded in active markets (such as recognised stock exchanges) are based on quoted market prices.
- Unlisted investments - the fair value of unlisted securities are established using valuation techniques and methodologies consistent with the International Private Equity and Venture Capital Valuation Guidelines ("IPEVCV guidelines") endorsed by the European Private Equity and Venture Capital Associations. These include the use of recent arm's-length transactions, discounted cash flow analysis and earnings multiples. For investments in seed, start up and early-stage companies, cost may be the best indication of fair value unless there is objective evidence that the investment has since been impaired. If recent investments have been made by third parties, the price of this investment can provide a basis for valuation. If there is no readily ascertainable value following the price of recent investments, or there is objective evidence that a deterioration in fair value has occurred since a relevant transaction, the fund will consider alternative methodologies in the IPEVCV guidelines such as discounted cash flows ('DCF') or price-earnings multiples. Recent investments were made during September 2021.

A subsidiary in the Group, Sygnia Life Limited, has made a commitment to invest GBP 102 million (2020: GBP 85 million) in BC I LP and GBP 90 million (2020: GBP 20 million) in BC II LP. These commitments consist of commitments made in respect of discretionary mandates managed by Sygnia Life Limited, as well as commitments secured by BIA directly from third-party clients to whom Sygnia Life Limited provides administration services only. These commitments will be financed from existing and future Sygnia Life Limited cash flows.

The general partner of BC I LP and BC II LP is Braavos Capital GP Limited ("Braavos GP"), a company registered in Guernsey. The shares in Braavos GP are equally owned by MF Wierzycka and A Crawford-Brunt. Drawdowns paid by Sygnia Life Limited to BC I LP and BC II LP relating to general partner fees are as follows:

	2021 R'000s	2020 R'000s
Discretionary mandates	31 480	17 633
Non-discretionary mandates *	45 295	1 260
Closing balance	76 775	18 893

* Mandates directly secured by Braavos Investment Advisers LP.

12. Related party transactions

Related-party transactions for the current year are similar to those disclosed in the Group's annual financial statements for the year ended 30 September 2020. No new significant related party transactions arose during the current year. Refer to note 13 for related party transactions subsequent to the reporting date.

13. Events subsequent to the reporting date

On the 1st of October 2021, 200 000 (fair value: R2.5 million) and 50 000 (fair value: R0.6 million) share options were granted to DR Hufton and MA Sirkot respectively.

As explained in note 7, the Ulundi broad-based share scheme was unwound in September 2021. Dividends, net of withholding taxes, of R5.9 million and R2.5 million were distributed to HI Bhorat and MH Jonas respectively in October 2021.

On the 18th of October 2021, a capital distribution of 48 cents per share was paid to shareholders. The capital distribution paid to directors (including indirect shareholding) is as follows:

	R'000s
MF Wierzycka	43 273
DR Hufton	1 145
MA Sirkot	240
WA Wierzycki	523

On the 6th of December 2021, the directors proposed and approved a dividend of 80 cents per share.

14. COVID-19 pandemic

The COVID-19 pandemic has had a significant impact on the South African and international markets. 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 cost is equal to its carrying amount and consequently, no impairment is required.

15. Change in principal subsidiaries and consolidated structures

During the current period, the Group no longer controls the Sygnia 4th Industrial Revolution Global Equity Fund, Sygnia Money Market Fund and Sygnia Health Innovation Global Equity Fund ("funds") and therefore the funds are no longer consolidated. This resulted in a reduction of investments linked to investment contract liabilities and third-party liabilities arising on consolidation of unit trust funds in the summarised consolidated statement of financial position amounting to R1.7 billion. The Group still retains significant influence over these funds with a total investment balance of R1.5 billion at 30 September 2021. In addition, the Group has significant influence over Sygnia Divi Index Fund, Sygnia Skeleton Balanced 40 Fund and Sygnia Skeleton Balanced 60 Fund with a total investment balance of R0.6 billion. WealthFoundry (Pty) Ltd, a subsidiary of the Group, met the criteria for control during the period and has therefore been consolidated. Sygnia Ventures LP, a partnership registered in England and Wales, met the criteria for control during the period. The consolidation had no impact on the summarised consolidated statement of financial position and the summarised consolidated statement of profit or loss and other comprehensive income as the partnership is recognised within investments linked to investment contract liabilities and investment contract liabilities.

16. Contingent liability

A subsidiary in the Group, Sygnia Asset Management UK Limited, is the general partner to a UK partnership. As the general partner, the company is liable for the partnership's debts, liabilities and obligations insofar as it exceeds the partnership's assets. Based on current performance, the probability of payment is insignificant.

Audited Summarised Consolidated Annual Financial Statements 2021

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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