

The definitions and interpretations commencing on page 5 apply to this cover page.

This Pre-Listing Statement is not an invitation to the public to subscribe for, or an offer to the public to purchase, Sygnia Ordinary Shares, but is issued in compliance with the Listings Requirements for the purpose of giving information to the public with regards to Sygnia. The JSE has granted a listing to Sygnia on the Main Board in the Financial Services sector under the abbreviated name "SYGNIA", share code: SYG, ISIN ZAE000208815, with effect from the commencement of business on Wednesday, 14 October 2015. The listing of Sygnia is by way of a Private Placing.

Subscriptions in terms of the Private Placing are only allowed for a minimum amount of R1,000,000 per single addressee acting as principal except in the case of persons falling within one of the specified categories listed in section 96(1)(a) of the Companies Act. The Ordinary Shares to be issued in terms of the Private Placing will rank *pari passu* with the existing Ordinary Shares in issue, including eligibility for dividends, and have no convertibility or redemption provisions attaching to them.



**SYGNIA**  
THE SUM OF ALL THINGS  
**Sygnia Limited**

(formerly Sygnia Investment Holdings No 2 Proprietary Limited)

(Incorporated in the Republic of South Africa)

(Registration number 2007/025416/06)

Share code on the JSE: SYG ISIN: ZAE000208815

("Sygnia" or "the Company")

## PRE-LISTING STATEMENT

### Prepared and issued in terms of the Listings Requirements

This Pre-Listing Statement relates to an Offer for Subscription by Sygnia (R237,256,606) and an Offer for Sale by the Selling Shareholder (R25,032,000) to Eligible Investors of up to 31,224,834 Placing Shares at the Private Placing Price for an aggregate amount of R262,288,606. The Private Placing has not been underwritten and the Offer for Subscription is conditional upon the minimum subscription being received that will fulfil the reasons for Listing and meet the Listings Requirements minimum 20% shareholding to be held by public shareholders, as defined by the Listings Requirements, on the day of Listing.

Opening date of the Private Placing (09:00)	Thursday, 1 October 2015
Closing date of the Private Placing (12:00)	Thursday, 8 October 2015
Listing Date (09:00)	Wednesday, 14 October 2015

The Private Placing Price at which the Placing Shares will be offered for subscription or for sale pursuant to the Private Placing will be R8.40 per Placing Share.

Fractions of Ordinary Shares will not be issued and the Company will round up or down to the nearest whole number of an Ordinary Share.

Before the Listing Date, the authorised share capital of Sygnia will comprise 500,000,000 authorised no par value Ordinary Shares and the Company will have stated capital of R272,858,029 comprising 108,933,166 Ordinary Shares. Assuming the maximum number of Placing Shares are issued in terms of the Private Placing, the Company will have a stated capital of R507,076,635 comprising 137,178,000 Ordinary Shares at the Listing Date. No Ordinary Shares are held in treasury as at the Last Practicable Date and there will be no Ordinary Shares held in treasury at the Listing Date.

The Placing Shares will be issued in Dematerialised form only and, accordingly, no physical Documents of Title will be issued or delivered to successful applicants.

The Directors of Sygnia, whose names are in the "Corporate information" section of this Pre-Listing Statement, collectively and individually accept full responsibility for the accuracy of the information given herein and certify that, to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, that all reasonable enquiries to ascertain such facts have been made and that this Pre-Listing Statement contains all information required by the Listings Requirements.

The Sponsor, Attorneys, Reporting Accountants and Transfer Secretaries, whose names are set out in this Pre-Listing Statement, have given and have not, prior to publication, withdrawn their written consents to the inclusion of their names in the capacities stated and, where applicable, to their reports being included in this Pre-Listing Statement.

Copies of this Pre-Listing Statement are only available in English and may be obtained during normal business hours for 14 days from the date of issue of this Pre-Listing Statement from the registered office of Sygnia, the address of which is set out in the "Corporate information" section of this Pre-Listing Statement, and the Company's office in Johannesburg (Unit 40, 6th Floor, Katherine and West Building, West Street, Sandton).

An abridged version of this Pre-Listing Statement has been released on SENS on Thursday, 1 October 2015 and will be published in the South African press on Friday, 2 October 2015.

#### Sponsor



#### Auditor and Reporting Accountant



#### Attorneys



#### Reporting Accountant



Date of issue: Thursday, 1 October 2015

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## IMPORTANT LEGAL NOTICES

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The definitions and interpretations commencing on page 5 of this Pre-Listing Statement apply to this important legal notices section.

### **Special note with regard to the Private Placing**

Notwithstanding that this document constitutes a Pre-Listing Statement, it is not an offer to the general public and only constitutes an Offer for Subscription and an Offer for Sale to Eligible Investors, to whom the Private Placing will specifically be addressed, and is only addressed to persons to whom the Private Placing may lawfully be made. In addition, this document is not a prospectus and will not be registered as a prospectus or registered at all with the Companies and Intellectual Property Commission of South Africa.

### **Forward-looking statements**

Certain statements contained in this Pre-Listing Statement, other than historical facts, constitute 'forward-looking statements'. Forward-looking statements are preceded by, followed by, or include the words 'believes', 'expects', 'aims', 'estimates', 'anticipates', 'may', 'should', 'could', 'intends', 'plans', 'seeks' or words of similar import. Such forward-looking statements involve risks, uncertainties and other factors which may cause the actual results, performance or achievements of Sygnia, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks, uncertainties and other factors include, among others, the lack of availability to Sygnia of necessary capital on acceptable terms, general economic and business conditions, industry trends, competition, changes in government regulation, interest rate fluctuations, currency fluctuations, changes in business strategy or development plans and other risks. Sygnia bases these forward-looking statements on particular assumptions that it has made in light of its industry experience, as well as its perception of historical trends, current conditions, expected future developments and other factors that Sygnia believes are appropriate under the circumstances. As you read and consider the information in this Pre-Listing Statement, you should understand that these forward-looking statements are not guarantees of performance or results.

Although Sygnia believes that these forward-looking statements are based on reasonable assumptions, and has used its best endeavours to ensure the accuracy thereof, you should be aware that many factors could affect Sygnia's actual financial results or results of operations and could cause actual results to differ materially from those expressed in the forward-looking statements. Sygnia will not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events, circumstances or unanticipated events occurring after the date of this Pre-Listing Statement except as required by law or by any appropriate regulatory authority. In light of these risks and uncertainties, there can be no assurance that the results and events contemplated by the forward-looking statements contained in this Pre-Listing Statement will in fact transpire.

### **Market and industry information**

Information relating to markets, market size, market share, market position, growth rates, average prices and other industry data pertaining to Sygnia's businesses contained in this Pre-Listing Statement consists of estimates based on data compiled by professional organisations and analysts, on data from external sources, on Sygnia's estimates or knowledge of markets and on Sygnia's calculations based on such information. In many cases, there is no readily available external information (whether from trade associations, governmental bodies or other organisations) to validate market-related analyses and estimates, thus requiring Sygnia to rely on internally developed estimates. While Sygnia has compiled, extracted and reproduced market or other industry data from external sources which it believes are reliable, including third-party or industry or general publications, neither Sygnia nor the Sponsor nor the Reporting Accountants has independently verified any such data. Sygnia cannot give any assurance of the accuracy or completeness of, or take any responsibility for, such data. Similarly, while Sygnia believes its internal estimates to be reasonable, they have not been verified by any independent sources, and Sygnia cannot give any assurance as to their accuracy.

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## CORPORATE INFORMATION

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### Registered Office

Sygnia Limited  
(Registration number 2007/025416/06)  
7th Floor, The Foundry  
Cardiff Street, Green Point  
Cape Town, 8001  
(PO Box 51591, Waterfront, 8002)

### Sponsor

Nedbank Limited, acting through its Corporate Finance business unit  
(Registration number 1951/000009/06)  
135 Rivonia Road  
Sandown  
Sandton, 2196  
(PO Box 1144, Johannesburg, 2000)

### Auditor and Reporting Accountant

KPMG Inc.  
(Practice number 900117)  
MSC House  
1 Mediterranean Street, Foreshore  
Cape Town, 8001  
(PO Box 4609, Cape Town, 8000)

### Transfer Secretaries

Computershare Investor Services Proprietary Limited  
(Registration number 2004/003647/07)  
Ground Floor  
70 Marshall Street  
Johannesburg, 2001  
(PO Box 61051, Marshalltown, 2107)

None of the abovementioned persons, save for the Company Secretary, hold any securities in, options on securities in, or agreed to be acquired in Sygnia.

Date of incorporation: 6 September 2007

Place of incorporation: South Africa

Date of conversion into a public company: 2 July 2015

### Company Secretary

David Ian Johnson  
BBusSci (Actuarial)  
19 Burgundy Road  
Constantia  
Cape Town, 7806  
(PO Box 51591, Waterfront, 8002)

### Attorneys

Cliffe Dekker Hofmeyr Incorporated  
(Registration number 2008/018923/21)  
11 Buitengracht Street  
Cape Town, 8001  
(PO Box 695, Cape Town, 8000)

### Reporting Accountant

Deloitte & Touche  
(Practice number 902276)  
1st Floor, The Square, Cape Quarter  
27 Somerset Road, Green Point  
Cape Town, 8005  
(PO Box 578, Cape Town, 8000)

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## SALIENT DATES AND TIMES

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The definitions and interpretations commencing on page 5 of this Pre-Listing Statement apply to this salient dates and times section.

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**2015**

Abridged Pre-Listing Statement released on SENS	Thursday, 1 October
Abridged Pre-Listing Statement published in the South African press	Thursday, 1 October
Opening date of the Private Placing (09:00)	Thursday, 1 October
Closing date of the Private Placing (12:00)	Thursday, 8 October
Notification of allotments	Friday, 9 October
Results of the Private Placing released on SENS	Monday, 12 October
Results of the Private Placing published in the South African press	Monday, 12 October
Listing Date (09:00)	Wednesday, 14 October
Accounts at CSDP or broker updated and debited in respect of Dematerialised Shareholders	Wednesday, 14 October

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**Notes:**

1. All dates and times shown in this Pre-Listing Statement are South African dates and times.
2. The above dates and times are subject to amendment. Any such amendment will be announced on SENS and published in the South African press.

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## DEFINITIONS AND INTERPRETATIONS

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In this Pre-Listing Statement and the annexures hereto, unless the context indicates otherwise, the words in the first column shall have the meanings assigned to them in the second column, the singular includes the plural and *vice versa*, an expression which denotes one gender includes the other genders, a natural person includes a juristic person and *vice versa* and cognate expressions shall bear corresponding meanings.

"2014 Interim Historical Financial Information"	consolidated reviewed interim financial information of Sygnia for the six months ended 31 March 2014;
"2014 Special Purpose Financial Statements"	comprising of the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, accounting policies and other explanatory related special purpose notes of the Group for the year ended 30 September 2014;
"2015 Interim Historical Financial Information"	consolidated reviewed interim financial information of Sygnia for the six months ended 31 March 2015;
"AUM"	assets under management and administration;
"B-BBEE"	broad-based black economic empowerment, as defined by the B-BBEE Act;
"B-BBEE Act"	The Broad-Based Black Empowerment Act, 2003 (Act 53 of 2003), as amended from time to time;
"Beret Properties"	Beret Properties Proprietary Limited (registration number 2012/177090/07), a private company registered and incorporated in South Africa and wholly-owned by the Zatoka Trust;
"Board" or "Directors"	the board of directors of Sygnia as set out in paragraph 8.1 of this Pre-Listing Statement;
"Business Day"	any day other than a Saturday, Sunday or an official public holiday in South Africa and in the event that a day referred to in terms of this Pre-Listing Statement should fall on a day which is not a Business Day, the relevant date will be extended to the next succeeding Business Day;
"CAGR"	compound annual growth rate;
"CAR"	Capital Adequacy Requirements, being the amount of capital a financial institution is required to hold as determined by its regulator;
"CDH" or "Attorneys"	Cliffe Dekker Hofmeyr Incorporated (registration number 2008/018923/21), a personal liability company registered and incorporated in South Africa;
"CEO"	chief executive officer;
"CFO"	chief financial officer;
"Codes of Good Practice" or "Codes"	the Codes of Good Practice issued in terms of section 9(1) of the B-BBEE Act as amended, replaced and/or revised from time to time;
"Common Monetary Area"	the geographic region comprising South Africa, the Republic of Namibia and the Kingdoms of Swaziland and Lesotho;
"Companies Act"	the Companies Act, 2008 (Act 71 of 2008), as amended;
"Company Secretary"	David Ian Johnson, subject to change from time to time;

“COO”	chief operating officer;
“CSDP”	a Central Securities Depository Participant appointed by Ordinary Shareholders for purposes of and in regard to Dematerialisation;
“Deloitte”	Deloitte & Touche (practice number 902276);
“Dematerialisation” or “Dematerialised”	the process by which certificated Ordinary Shares are converted into an electronic form as Dematerialised Shares and recorded in the sub-register of Shareholders maintained by a CSDP;
“Dematerialised Shareholders”	holders of Dematerialised Shares;
“Dematerialised Shares”	Sygnia Ordinary Shares that have been Dematerialised and incorporated into Strate and which Ordinary Shares are no longer evidenced by physical Documents of Title;
“DIY”	do-it-yourself;
“Documents of Title”	share certificates, certified transfer deeds, balance receipts or any other tangible documents of title acceptable to the Board;
“EBIT”	earnings before interest and taxation;
“EBITDA”	earnings before interest, taxation, depreciation and amortisation;
“Eligible Investors”	those specifically identified investors to whom the Private Placing will be addressed and made, being selected institutional and other invited investors in South Africa, each subject to a minimum subscription or purchase of R1 million as principals (in reliance on section 96(1)(b) of the Companies Act), and those selected institutional investors falling within one of the other specified categories listed in section 96(1)(a) of the Companies Act;
“EPS”	earnings per share;
“ESOP”	Sygnia Limited Employee Share Option Scheme;
“Exchange Control Regulations”	the Exchange Control Regulations of South Africa, as amended, promulgated in terms of Section 9 of the Currency and Exchanges Act, 1933 (Act 9 of 1933), as amended, and issued from time to time by Excon;
“Excon”	the Financial Surveillance Department of the SARB responsible for the administration of the Exchange Control Regulations;
“FAIS”	the Financial Advisory and Intermediary Services Act, 2002 (Act 37 of 2002), as amended;
“FD”	financial director;
“FICA”	the Financial Intelligence Centre Act, 2001 (Act 38 of 2001);
“Financial Sector Code”	the Financial Sector Code (as amended and revised from time to time) issued in terms of section 9(1) of the B-BBEE Act;
“FSB”	the Financial Services Board established in terms of the Financial Services Board Act, 1990 (Act 97 of 1990);
“Founding Shareholders”	Magdalena Franciszka Wierzycka (“Magda”), Simon John Benedict Peile, Willem Schalk van der Merwe and Joseph Albertus Potgieter;
“FSP”	a financial service provider authorised as such in terms of section 7 of FAIS;
“Government”	the government of South Africa;
“Group”	collectively Sygnia and its subsidiaries from time to time;

“HEPS”	headline earnings per share;
“Historical Financial Information”	the audited historical financial information of Sygnia Investment Holdings No 2 and Sygnia Life, respectively, for the years ended 30 September 2014, 2013 and 2012;
“IFRS”	International Financial Reporting Standards as adopted by the International Accounting Standards Board from time to time;
“Interim Historical Financial Information”	where the context requires, the 2015 Interim Historical Financial Information and/or the 2014 Interim Historical Financial Information;
“ISAE3402”	International Standard on Assurance Engagements No 3402, issued by the International Auditing and Assurance Standards Board;
“IT”	information technology;
“Izibuko Holdings”	Izibuko Holdings Proprietary Limited (registration number 2013/053809/07), a private company registered and incorporated in South Africa, which holds a 49% interest in Ulundi Holdings, and whose shareholders comprise the Zatoka Trust (81%), the Mobula Trust (13%), Joseph Potgieter (4%) and Niki Giles (2%);
“JSE”	the Johannesburg Stock Exchange operated by the JSE Limited (registration number 2005/022939/06), a public company registered and incorporated in South Africa, licensed as an exchange under the Financial Markets Act, Act 19 of 2012;
“JV”	joint venture;
“King III”	the King Code of Governance Principles for South Africa, 2009 and the King Report on Governance for South Africa, 2009, as amended from time to time;
“KPMG”	KPMG Inc. (practice number 900117);
“Last Practicable Date”	the last practicable date prior to the finalisation of this Pre-Listing Statement, being Monday, 21 September 2015;
“LISP”	linked investment service provider, as licensed with the FSB as Administrative FSPs and as regulated by FAIS;
“Listing Date”	the date upon which Sygnia lists its Ordinary Shares on the JSE, which is expected to be on or about Wednesday, 14 October 2015;
“Listing”	the listing of all the issued Sygnia Ordinary Shares on the Main Board in the Financial Services sector of the JSE under the abbreviated name “SYGNIA” and having the JSE share code “SYG”;
“Listings Requirements”	the Listings Requirements published by the JSE, as amended from time to time;
“Major Subsidiaries”	Sygnia Asset Management, Sygnia Collective Investments RF and Sygnia Life;
“Market Disruptor”	an innovator that helps create a new market and value network, and eventually disrupts an existing market and value network, displacing an earlier technology (source: Wikipedia);
“Memorandum of Incorporation”	the memorandum of incorporation of the Company, extracts of which are set out in Annexure 20 to this Pre-Listing Statement;
“Mobula Trust”	Mobula Trust (IT3139/2010), a family trust of which Willem Schalk van der Merwe (a Founding Shareholder) is a trustee and beneficiary;
“Multi-Manager”	a fund manager that invests in a range of other funds controlled by different asset managers;

“National Treasury”	the department of National Treasury of Government;
“NAV”	net asset value;
“Nedbank” or “Sponsor”	Nedbank Limited, acting through its Corporate Finance business unit, (registration number 1951/000009/06) a public company registered and incorporated in South Africa, and a registered bank in South Africa;
“NTAV”	net tangible asset value;
“Offer for Sale”	an offer for sale by the Selling Shareholder to Eligible Investors of the Sale Shares at the Private Placing Price;
“Offer for Subscription”	an offer for subscription by Sygnia to Eligible Investors of the Subscription Shares at the Private Placing Price;
“Ordinary Shareholders” or “Shareholders”	holders of Sygnia Ordinary Shares, from time to time;
“PFA”	the Pension Funds Act, 1956 (Act 24 of 1956);
“PIC”	Public Investment Corporation (SOC) Limited (registration number 2005/009094/06), a public company registered and incorporated in South Africa, and wholly-owned by the Government, a FSP and investment manager;
“Placing Shares”	collectively, and unless the contrary appears from the context, the Subscription Shares and the Sale Shares and a reference to “Placing Shares” shall embrace a reference to each of them as the context may require;
“POPI”	the Protection of Personal Information Act, 2013 (Act 4 of 2013);
“Pre-Listing Statement”	this Pre-Listing Statement and its annexures, dated 1 October 2015, which has been prepared in compliance with the Listings Requirements;
“President”	the President of South Africa;
“Private Placing Price”	the price at which the Placing Shares are to be issued and sold to Eligible Investors, being R8.40 per Sygnia Ordinary Share;
“Private Placing”	the private placing of the Placing Shares at the Private Placing Price to Eligible Investors, for an aggregate amount of R262,288,606;
“Profit Estimate”	the estimated consolidated statement of comprehensive income of Sygnia for the four months ended 31 July 2015;
“Profit Forecast”	the forecast consolidated statement of comprehensive income of Sygnia for the two months ending 30 September 2015;
“Pro Forma Financial Information”	<i>pro forma</i> financial information of Sygnia illustrating the effects of the Ulundi Settlement and the Private Placing;
“Rand” or “R”	the lawful currency of South Africa;
“RDR”	the Retail Distribution Review as initiated by the FSB;
“Regulation 28”	as per section 36(1)(bB) of the Pension Funds Act, 1956 (Act 24 of 1956);
“Reporting Accountants”	together, or individually, where the context requires, KPMG and Deloitte;
“Sale Shares”	a maximum of 2,980,000 Ordinary Shares offered for sale by the Selling Shareholder in terms of the Offer for Sale pursuant to this Pre-Listing Statement;
“SARB”	South African Reserve Bank established in terms of the South African Reserve Bank Act, 1989 (Act 90 of 1989), as amended;

“SARS”	South African Revenue Service, established in terms of the South African Revenue Service Act, 1997 (Act 34 of 1997);
“Selling Shareholder”	Zatoka Trust;
“Senior Management”	members of the executive and/or management committees of Sygnia and Sygnia’s Major Subsidiaries, responsible for the day-to-day management and oversight of the Group’s business, excluding the executive Directors;
“SENS”	Stock Exchange News Service of the JSE;
“South Africa” or “SA”	the Republic of South Africa;
“Strate”	Strate Proprietary Limited (registration number 1998/022242/06), a private company registered and incorporated in South Africa, which administers the electronic settlement system for transactions that take place on the JSE and off-market trades;
“Subscription Shares”	a maximum of 28,244,834 Ordinary Shares offered for subscription by Sygnia pursuant to this Pre-Listing Statement;
“Sygnia” or “the Company”	Sygnia Limited (registration number 2007/025416/06), a public company registered and incorporated in South Africa, whose Ordinary Shares will be listed on the JSE on the Listing Date;
“Sygnia Alchemy”	Sygnia Alchemy Proprietary Limited (registration number 2012/179679/07), a private company registered and incorporated in South Africa, and a wholly-owned subsidiary of Sygnia;
“Sygnia Asset Management”	Sygnia Asset Management Proprietary Limited (registration number 2003/009329/07), a private company registered and incorporated in South Africa, and a wholly-owned subsidiary of Sygnia as at the date of this Pre-Listing Statement;
“Sygnia Collective Investments RF”	Sygnia Collective Investments RF Proprietary Limited (registration number 2009/003063/07), a private company registered and incorporated in South Africa, and a wholly-owned subsidiary of Sygnia;
“Sygnia Financial Services”	Sygnia Financial Services Proprietary Limited (registration number 2010/015491/07), a private company registered and incorporated in South Africa, and a wholly-owned subsidiary of Sygnia;
“Sygnia Investment Holdings”	Sygnia Investment Holdings Proprietary Limited (registration number 2006/020001/07), a private company registered and incorporated in South Africa, whose shares were held 50% by Magda Wierzycka and 50% by Simon Peile (in the process of being deregistered);
“Sygnia Investment Holdings No 2”	Sygnia Investment Holdings No 2 Proprietary Limited (registration number 2007/025416/07), a private company registered and incorporated in South Africa, and converted to a public company and renamed Sygnia Limited on 2 July 2015;
“Sygnia Life”	Sygnia Life Limited (registration number 2000/022679/06), a public company registered and incorporated in South Africa, and a wholly-owned subsidiary of Sygnia;
“Sygnia Life Acquisition”	the acquisition by Sygnia of all the issued shares in Sygnia Life, with effect from 1 October 2014;
“Sygnia Nominees RF”	Sygnia Nominees RF Proprietary Limited (registration number 2012/035734/07), a private company registered and incorporated in South Africa, and a wholly-owned subsidiary of Sygnia Financial Services;

"Sygnia Ordinary Share(s)" or "Ordinary Share(s)"	an ordinary share(s) with no par value in the authorised and issued share capital of Sygnia;
"Sygnia Private Wealth"	Sygnia Private Wealth Proprietary Limited (registration number 2014/180042/07), a private company registered and incorporated in South Africa, and a wholly-owned subsidiary of Sygnia;
"Sygnia Securities"	Sygnia Securities Proprietary Limited (registration number 2014/064642/07), a private company registered and incorporated in South Africa, and a wholly-owned subsidiary of Sygnia;
"Sygnia Securities Nominees RF"	Sygnia Securities Nominees RF Proprietary Limited (registration number 2014/192565/07), a private company registered and incorporated in South Africa, and a wholly-owned subsidiary of Sygnia Securities;
"Sygnia Support Services"	Sygnia Support Services Proprietary Limited (registration number 2003/009185/07), a private company registered and incorporated in South Africa, and a wholly-owned subsidiary of Sygnia;
"Sygnia Systems"	Sygnia Systems Proprietary Limited (registration number 2006/020617/07), a private company registered and incorporated in South Africa, and a wholly-owned subsidiary of Sygnia;
"TCF"	Treating Customers Fairly, an outcomes-based regulatory approach as defined by the FSB;
"Transfer Secretaries" or "Computershare"	Computershare Investor Services Proprietary Limited (registration number 2004/003647/07), a private company registered and incorporated in South Africa;
"Ulundi Corporate"	Ulundi Corporate Trustee Proprietary Limited (registration number 2008/008517/07), a private company registered and incorporated in South Africa, and a wholly-owned subsidiary of Sygnia Asset Management;
"Ulundi Holdings"	Ulundi Holdings Proprietary Limited (registration number 2013/053804/07), a private company registered and incorporated in South Africa, which prior to the Private Placing will hold 8.2% of the issued Ordinary Shares in Sygnia and whose shareholders comprise Izibuko Holdings (49%) and the Ulundi Staff Trust (51%);
"Ulundi Transaction"	a transaction which took place on 31 July 2013, in terms of which Ulundi Holdings subscribed for a 20% equity interest in Sygnia Asset Management;
"Ulundi Settlement"	the share-for-share exchange which will take place on 1 October 2015 in terms of which (i) Sygnia Asset Management will repurchase a portion of its shares held by Ulundi Holdings for a purchase consideration of R14,293,066 less related debt and (ii) Ulundi Holdings will exchange its remaining 17.35% shareholding in Sygnia Asset Management for 8,933,166 Ordinary Shares in Sygnia;
"Ulundi Staff Trust"	Ulundi Staff Trust (IT2252/2013), a trust whose beneficiaries are limited to black natural persons that are permanent employees on the payroll of any Group company or a black director of any Group company;
"Umbrella Funds"	retirement funds that exist as a single legal entity but in which multiple employers participate often via distinct sub-funds with employer specific special fund rules;
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland;
"United States"	the United States of America, its territories and possessions, any state of the United States and the District of Columbia;

"Widok Properties"	Widok Properties Proprietary Limited (registration number 2009/012806/07), a private company registered and incorporated in South Africa whose shareholders comprise the Zatoka Trust (98%) and Niki Giles (2%);
"Zamek Management"	Zamek Management Proprietary Limited (registration number 2008/006823/07), a private company registered and incorporated in South Africa, and a wholly-owned subsidiary of Sygnia Asset Management; and
"Zatoka Trust"	Zatoka Trust (IT984/2003), a family trust of which Magda Wierzycka and Simon Peile (Founding Shareholders) are trustees and beneficiaries, and a material Shareholder of Sygnia.

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## EXECUTIVE SUMMARY

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The definitions and interpretations commencing on page 5 of this Pre-Listing Statement apply to this executive summary. The following information is only a summary of the more detailed information contained in the main body of this Pre-Listing Statement.

### OVERVIEW

Sygnia is a specialist financial services group headquartered in South Africa focusing on the provision of investment management and administration solutions to institutional and retail clients predominantly located in South Africa.

The main services provided by Sygnia include Multi-Manager investment solutions, index-tracking investment solutions, customised/bespoke investment strategy management, transition management and investment administration/platform services. The primary institutional clients span both the private and public sector and include retirement funds, Umbrella Funds, life insurers, third party Multi-Managers, endowments and other special purpose funds. The primary retail clients include individual members and beneficiaries of retirement funds, as well as the wider individual savings market. Sygnia's principal geographic focus is South Africa, where it has been operating in its current form since November 2006. Sygnia managed and administered assets of R137 billion as at 30 June 2015.

As at 30 June 2015 Sygnia employed 114 people, including actuaries, chartered accountants, lawyers and investment professionals. The Founding Shareholders of the Group have worked together since 2003. The core management team has worked together for 10 years.

### KEY COMPETITIVE ADVANTAGES

The key determinants of Sygnia's success, and its main competitive advantages, include:

- The management team has a wealth of experience in the field of asset management and retirement fund consulting, and a deep understanding of the institutional and retail markets in South Africa;
- The management team has a successful track record of organically building entrepreneurial businesses and creating shareholder value;
- Sygnia's proprietary Multi-Manager administration systems are market leaders in South Africa and make Sygnia's services highly scalable;
- The Group has built up a strong reputation for offering client service excellence, strong performance, transparency and fairness of costs and charges. The culture of putting the customer first is ingrained in the manner in which Sygnia operates;
- The Group has long-standing relationships with many leading employee benefits consulting, investment consulting and financial advisory businesses in South Africa. This will support its future institutional and retail growth;
- Sygnia is well-positioned to take advantage of the changing regulatory dynamics;
- Sygnia has a reputation for innovation and being a Market Disruptor within the financial services industry in South Africa. The desire to innovate through thoroughly-considered, unconventional and contrarian business strategies continues to drive strategy; and
- The Group has a growing revenue base, whilst being a highly cash generative business.

### GROWTH STRATEGIES

Sygnia has identified multiple areas of future growth and expansion, all of which are able to be pursued due to the highly scalable operational and regulatory infrastructures that have been put in place over the past seven years.

The core areas of growth are:

#### *Institutional Multi-Manager business*

Sygnia's investment performance has been consistently strong relative to its peers. Sygnia has made strong in-roads into the institutional client bases of small- to medium-sized employee benefits consulting companies in South Africa. It has not, however, made any in-roads into the client bases of certain large employee benefits consulting companies that support multi-management. Those client bases present a significant business opportunity for Sygnia going forward, as Sygnia is able to offer an attractive alternative to the existing multi-management arrangements.

#### *Institutional investment administration/platform business*

Sygnia's investment administration is regarded as a market leader. The Group is thus uniquely placed to take advantage of the growing demand for platform services among large institutional investors, including parastatals, municipalities and Umbrella Funds.

#### *Index-tracking investment management*

Sygnia has a 12-year performance track record in managing index-tracking funds. There is a growing demand for low cost products, such as index-tracking funds, among both institutional and retail investors in South Africa as both standalone solutions as well as part of a balanced fund solution. Market penetration of index-tracking funds is currently extremely low, however this is likely to change rapidly given that these funds enjoy the benefits of low cost and the support of the regulators.

#### *Funds of South African hedge funds*

Sygnia has a 12-year performance track record in successfully managing funds of South African hedge funds. The growth in this product category has been slow, impeded by the non-supportive regulatory environment. However, given the recent changes in regulation declaring hedge funds as Collective Investment Schemes under Government Notice 141, which will allow certain hedge funds to be marketed to the retail public, as well as the changing investment environment dynamics becoming more supportive of capital preservation type strategies, the profile and attractiveness of hedge fund investments is expected to grow, with most investors preferring to access hedge funds through a fund of hedge funds.

#### *Retail Multi-Manager business*

Sygnia's Multi-Manager funds are enjoying growing support among the financial advisory market due to the cost-effectiveness of the proposition and strong investment performance. Sygnia's penetration of the independent financial advisory market is still relatively low and offers a significant opportunity for growth.

In addition, the proposed regulatory reforms to retail distribution means that Sygnia's traditional client base is likely to look for retail solutions in order to meet proposed regulatory requirements.

#### *Retail investment administration/platform/LISP business*

Sygnia's LISP platform is supported by a constantly evolving systems-platform and analytical tools. The cost-effective pricing, together with a stable systems infrastructure, means that Sygnia is becoming increasingly attractive to the direct investor, as well as to financial advisors who are looking to reposition themselves in terms of business support in light of the changing regulatory environment.

#### *Securities business*

Sygnia's securities business was launched in 2014 to support Sygnia's index-tracking and other investment activities. This business aims to attract third party stockbroking clients and individual share investors.

In terms of market segment penetration, Sygnia has limited exposure to the following market segments, which all present significant growth opportunities:

- public sector institutions and funds; and
- certain large employee benefits consulting companies that support multi-management.

### **PURPOSE OF LISTING ON THE JSE**

The reasons for the Private Placing and the Offer for Subscription are to:

- enhance the Group's public profile, brand recognition and general public awareness in order to facilitate growth;
- strengthen the balance sheet of the Group to provide it with sufficient headroom in terms of the regulatory capital requirements and to enable the Group to pursue its organic growth strategies faster than it has been able to do to date;
- enable the Group to access capital markets, as and if required;
- enable the Group to retain key management by offering them access to listed Ordinary Shares in the Group; and
- allow the Group to pursue its systems development strategies faster.

The net proceeds from the Offer for Subscription are estimated to be R232,506,606, after deducting the estimated Private Placing and Listing expenses of R4,750,000. These net proceeds will be used to increase the Group's regulatory capital holdings, pursue systems development strategies, actively market Sygnia's brand and the profile of index-tracking, general research and development expenditure, augment distribution channels and facilitate geographic expansion.

## SUMMARY OF THE PRIVATE PLACING

This Pre-Listing Statement relates to the Offer for Subscription by Sygnia (R237,256,606) and the Offer for Sale by the Selling Shareholder (R25,032,000) to Eligible Investors of up to 31,224,834 Placing Shares at the Private Placing Price for an aggregate amount of R262,288,606. The Private Placing has not been underwritten and the Offer for Subscription is conditional upon the minimum subscription being received that will fulfil the purpose of the Private Placing and Listing.

Opening date of the Private Placing (09:00)	Thursday, 1 October 2015
Closing date of the Private Placing (12:00)	Thursday, 8 October 2015
Listing Date (09:00)	Wednesday, 14 October 2015

The Private Placing Price at which the Placing Shares will be offered for subscription or for sale pursuant to the Private Placing will be R8.40 per Placing Share.

Fractions of Ordinary Shares will not be issued and the Company will round up or down to the nearest whole number of an Ordinary Share.

## SUMMARISED FINANCIAL INFORMATION OF SYGNIA

(Rands)	For the year ended 30 September 2015 <sup>1</sup>	For the year ended 30 September 2014
Revenue	239 454 159	165 798 175
Expenses	(168 871 122)	(125 998 291)
Operating profit	70 583 037	39 799 884
Finance income	5 814 905	4 256 073
Finance costs	(196 071)	(61 229)
Other income	4 970 768	10 764 923
Operating profit before tax	81 172 639	54 759 651
Income tax expense	(23 319 532)	(16 294 133)
Net profit for the year	57 853 107	38 465 518
Other comprehensive income	–	–
Total comprehensive income for the year	57 853 107	38 465 518
<b>Profit attributable to:</b>		
Owners of the Company	57 853 107	38 465 518
Non-controlling interest		
Weighted average number of Ordinary Shares in issue	100 000 000	100 000 000
Basic and diluted earnings per Share (cents)	57.85	38.47
Headline and diluted headline earnings per Share (cents)	58.88	42.11
Net asset value per Share (Rand)	1.35	1.27
Tangible net asset value per Share (Rand)	1.32	1.23

<sup>1</sup> The 30 September 2015 figures are an aggregation of the Interim Historical Financial Information for the six months ended 31 March 2015, the Profit Estimate for the four months ended 31 July 2015 and the Profit Forecast for the two months ending 30 September 2015, contained in Annexure 7 and Annexure 10, respectively, to this Pre-Listing Statement.

Reconciliation between basic earnings and headline earnings:

	For the year ended 30 September 2015	For the year ended 30 September 2014
Profit attributable to Ordinary Shareholders	57 853 108	38 465 518
Non-headline earnings (net of tax)		
Loss on disposal of furniture and equipment	48 138	–
Furniture and equipment written off	–	440 824
Insurance claim received	–	(11 096)
Impairment of intangible assets	976 072	3 211 204
<b>Headline earnings</b>	<b>58 877 318</b>	<b>42 106 450</b>



**Sygnia Limited**

(formerly Sygnia Investment Holdings No 2 Proprietary Limited)

(Incorporated in the Republic of South Africa)

(Registration number 2007/025416/06)

Share code on the JSE: SYG ISIN: ZAE000208815

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## PRE-LISTING STATEMENT

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### Directors

Haroon Ismail Borhat (non-executive Chairman)

Magdalena Franciszka Wierzycka (CEO)

Niki Jane Giles (FD)

Kenneth Thomas Hopkins (Independent non-executive Director)

Isiah Kaizer Moyane (Independent non-executive Director)

Shirley Anne Zinn (Lead independent non-executive Director)

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## PART A: THE BUSINESS

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### 1. INTRODUCTION TO SYGNIA

#### 1.1 OVERVIEW OF THE GROUP

Sygnia is a specialist financial services group headquartered in South Africa focusing on the provision of investment management and administration solutions to institutional and retail clients predominantly located in South Africa.

The main services provided by Sygnia include Multi-Manager investment solutions, index-tracking investment solutions, customised/ bespoke investment strategy management, transition management and investment administration/platform services. The primary institutional clients span both the private and public sector and include retirement funds, Umbrella Funds, life insurers, third party Multi-Managers, endowments and other special purpose funds. The primary retail clients include individual members and beneficiaries of retirement funds, as well as the wider individual savings market. Sygnia's principal geographic focus is South Africa, where it has been operating in its current form since November 2006. Sygnia managed and administered assets of R137 billion as at 30 June 2015.

As at 30 June 2015 Sygnia employed 114 people, including actuaries, chartered accountants, lawyers and investment professionals. The Founding Shareholders of the Group have worked together since 2003. The core management team has worked together for 10 years.

There is no trade union presence at Sygnia and no collective bargaining on the terms and conditions of employment between Sygnia and its employees.

#### 1.2 INCORPORATION AND HISTORY

The Group's operations date back to 2003 when the Founding Shareholders started one of the first funds of South African hedge funds operations in South Africa under the brand name IQvest Risk Management. IQvest Investment Services Proprietary Limited ("IQvest") was launched to support the operations of IQvest Risk Management Proprietary Limited by developing systems suited to the administration of Multi-Manager/fund-of-funds investment product structures. The same year both companies were acquired by African Harvest Proprietary Limited ("African Harvest"), with IQvest Risk Management Proprietary Limited being rebranded to African Harvest Alternative Investments Proprietary Limited. The minority shareholders retained their stakes in the respective subsidiaries. The majority shareholder and the CEO, Magda Wierzycka, sold her shares in the two entities in exchange for shares in African Harvest.

While Magda Wierzycka took over as the CEO of African Harvest, the teams of the two companies continued to build the operations under the brand name of African Harvest. In 2006, the majority shareholder of African Harvest, the Metallon Group, expressed a desire to disinvest. Consequently the African Harvest group was broken up into two, with African Harvest Fund Managers Proprietary Limited and African Harvest Collective Investments Proprietary Limited being sold to Cadiz Proprietary Limited ("Cadiz") and African Harvest Alternative Investments Proprietary Limited, IQvest and African Harvest Life Limited (now Sygnia Life) being sold to the original Founding Shareholders, including Magda Wierzycka. The companies were rebranded from African Harvest and IQvest to Sygnia and commenced operating under the Sygnia brand name on 1 November 2006.

Two holding companies were formed: Sygnia Investment Holdings and Sygnia Investment Holdings No 2. The former held a 100% interest in Sygnia Life, and was owned directly by Magda Wierzycka and Simon Peile, a specific requirement of the FSB at the time of the transaction. The latter held the other two subsidiaries. Sygnia Investment Holdings sold Sygnia Life to Sygnia Investment Holdings No 2, with the FSB's approval, effective 1 October 2014, to create one group through a common control transaction. Notwithstanding this Group restructure, Sygnia has been treated as a "group" by the relevant regulators since inception in 2006. Sygnia Investment Holdings No 2 converted to a public company and changed its name to Sygnia with effect from 2 July 2015.

Sygnia entered the institutional market on 1 November 2006 with R2 billion in AUM in Multi-Manager products, managed on behalf of a small number of retirement funds. Since then it has grown to manage and administer R137 billion as at 30 June 2015 on behalf of institutional and retail investors.

Sygnia entered the institutional market by reinventing the "Multi-Manager" sales proposition. Instead of offering standardised "off-the-shelf" product solutions, Sygnia offered clients the opportunity to customise their investment strategies to their specific requirements and objectives, while enjoying the benefits offered by a full-service Multi-Manager administration platform. This approach proved to be successful in attracting interest, as it offered the benefits of complete flexibility and customisation, while being more cost effective than employing traditional Multi-Managers. It also led to some large institutional clients, including a well-known international Multi-Manager company, appointing Sygnia for the purpose of the provision of standalone administration/platform services, leading to the formal emergence of this service in South Africa. The provision of administration services was underpinned by Sygnia's leading-edge proprietary administration platform. Although Sygnia concentrated on the provision of customised/bespoke investment services and Multi-Manager administration, it also launched its own range of institutional Multi-Manager products to compete more openly with other Multi-Managers.

Since 2006 Sygnia's Multi-Manager approach has involved the blending together of index-tracking funds and actively-managed funds. The actively-managed portion has always been outsourced to third party asset managers selected by Sygnia after a thorough due diligence. Sygnia has always managed a large part of the index-tracking portion in-house. In 2012, Sygnia decided to begin marketing its index-tracking funds as a standalone proposition. It also launched the first risk-profiled balanced product range in South Africa, the Sygnia Skeleton Funds, managed entirely on a passive basis, to the institutional market. A balanced product range is suitable for the retirement savings of both institutional and retail investors where compliance with regulatory limits is a requirement (retirement funds, Umbrella Funds, retirement annuities, preservation funds).

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

In 2014 Sygnia launched Sygnia Securities, an execution-only stockbroking firm, to support its growing index-tracking business, as well as to support the transition management requirements of Sygnia's growing client base. In 2015 the licence of Sygnia Securities was extended to allow for controlled client management.

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

Sygnia prides itself on being an innovator and a Market Disruptor within the financial services industry in South Africa. It aims to retain that culture, as well as its strong entrepreneurial flair, going forward.

### 1.3 BUSINESS UNITS

The Group comprises of a holding company, Sygnia, and the following wholly-owned subsidiary companies as at 1 October 2015:

**Sygnia Asset Management:** an asset management company providing the following services and products to institutional and retail clients:

- Multi-Manager investment products;
- specialist and balanced index-tracking products;
- management and administration of custom-designed investment strategies;
- transition management; and
- investment administration services.

**Sygnia Life:** a life insurance licence holder, limited to linked investment policies, used for the purposes of structuring pooled portfolios for retirement fund clients and issuing of sinking fund policies and living annuities to individual investors.

**Sygnia Collective Investments RF:** a management company offering a range of Multi-Manager and index-tracking unit trusts to the retail market.

**Sygnia Financial Services:** a LISP company offering investment administration services and savings products (retirement annuities, living annuities, preservation funds) to the retail market.

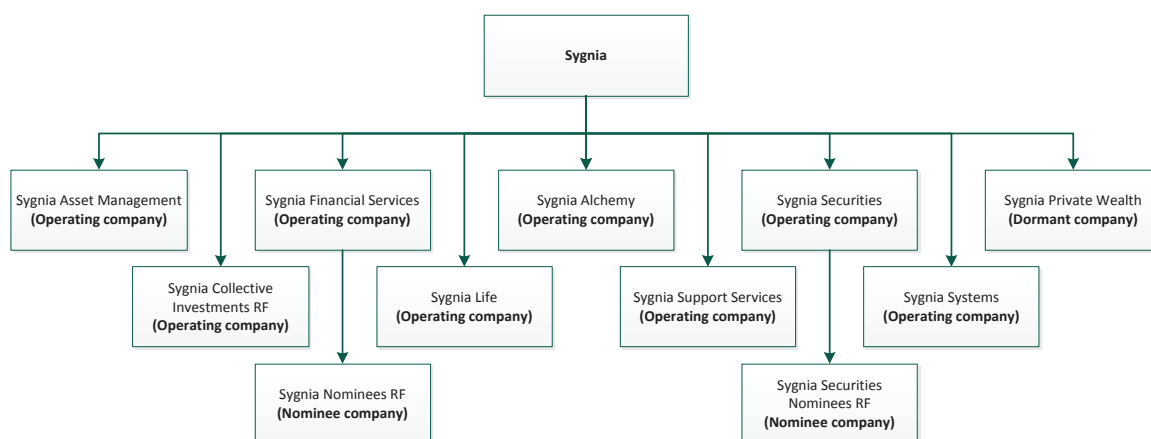
**Sygnia Systems:** a software development company which focuses on the development of all proprietary software used by Sygnia (other than the software developed by Sygnia Alchemy), as well as supporting its existing systems.

**Sygnia Securities:** a stockbroker currently used for cost-effective trading of Sygnia's index-tracking funds and for transition management programmes.

**Sygnia Support Services:** an internal support services company which provides centralised services to the Group, including office management, IT, financial support and legal services.

**Sygnia Alchemy:** a company established solely to house the intellectual property associated with Sygnia's retail system, the Sygnia Alchemy Investment Administration system.

The following diagram shows the Group's current organisational structure:



All the subsidiaries are wholly-owned as at 1 October 2015.

In terms of actual operations, the Group operates as three main business units:

- institutional business: asset management and administration;
- retail business: savings products and LISP administration; and
- support business: systems development, support, life insurance licence, collective investment scheme, stockbroking and IT.

#### ***Institutional business: Sygnia Asset Management***

Sygnia Asset Management provides the following services to institutional clients:

- Multi-Manager investment products, including funds of South African hedge funds;
- index-tracking investment products;
- management and administration of custom-designed investment strategies;
- transition management; and
- investment administration services only.

**Multi-Manager investment products:** Sygnia Asset Management offers institutional clients actively-managed pooled investment products. The actively-managed products are structured as Multi-Manager funds using a blend of passive and actively-managed investment strategies. Passively-managed strategies are largely managed by Sygnia Asset Management, while the actively-managed components are outsourced to third party asset managers. Pooled investment products on offer include risk-profiled balanced strategies, as well as specialist strategies and funds of South African hedge funds. Sygnia Asset Management also manages pooled portfolios customised to the requirements of specific employee benefits consulting firms. Sygnia Asset Management constructs the products by researching and allocating assets to suitable third-party asset managers. Sygnia Asset Management decides on both the strategic and the tactical asset allocation of the products. Sygnia Asset Management manages and administers the products, monitors the third-party asset managers and reports back to clients on the performance. Sygnia Life's linked investments life licence is used for pooling purposes. Sygnia Asset Management also manages Multi-Manager unit trusts offered by Sygnia Collective Investments RF to the retail market.

As at 31 March 2015 Sygnia Asset Management manages and administers R120.9 billion in assets on behalf of institutional and retail clients. Institutional clients' assets account for 93.0% of assets under management and administration, while retail clients' assets account for 7.0%. Sygnia Asset Management manages 14 unit trusts on behalf of Sygnia Collective Investments RF.

In terms of the relative size of the institutional and retail segments, 81.7% of revenue for the six months ended 31 March 2015 was derived from the institutional client base and 18.3% from retail clients.

In terms of the contribution to revenue for the six months ended 31 March 2015, asset management (multi-management, index-tracking, funds of hedge funds) contributed 74.2%, administration services 17.9% and other services 7.9%.

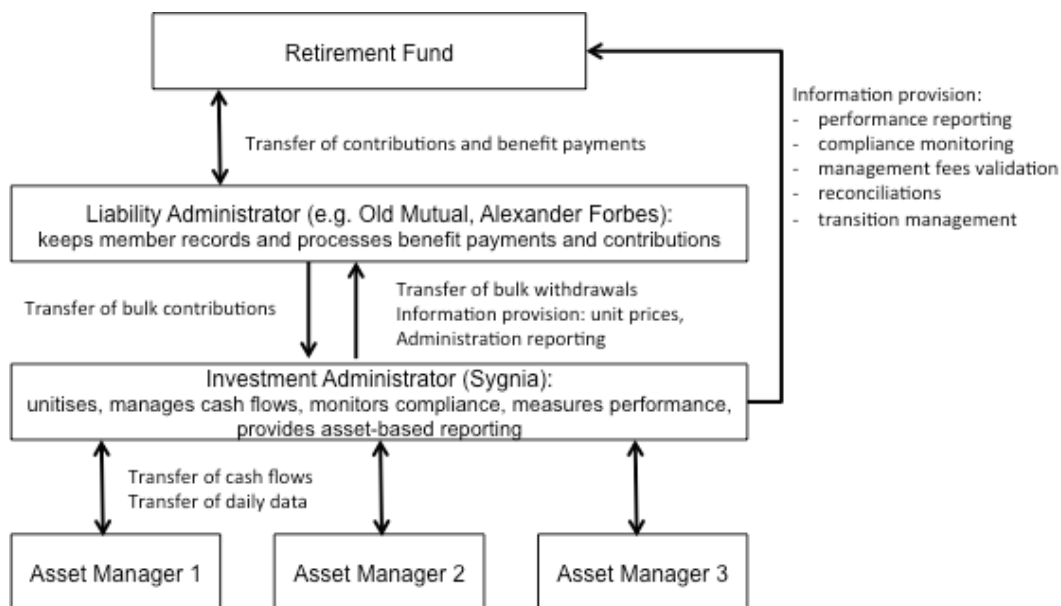
**Index-tracking investment management:** Sygnia Asset Management also offers institutional clients passively-managed investment products. These products include risk-profiled balanced strategies, as well as specialist strategies, and are offered as pooled products and segregated client-specific accounts. Sygnia Asset Management also manages index-tracking unit trusts on behalf of Sygnia Collective Investments RF. Sygnia Asset Management had R7.3 billion in AUM in index-tracking products as at 30 June 2015.

**Customised multi-management:** Sygnia Asset Management offers institutional clients the option of designing their own investment strategies according to the risk-profile and requirements of their membership or client base. Sygnia Asset Management assists in the process of designing such strategies and subsequently implements, manages and administers such strategies as if they were standalone Multi-Manager products. The range of investment management services includes: asset liability modelling, asset manager selection advice, strategic asset allocation advice, tactical asset allocation management and transition management. Different clients may utilise different parts of this service.

**Investment administration:** Sygnia Asset Management provides standalone investment administration services to institutional clients. These services include:

- multi-tier unitisation services;
- monthly administration reporting;
- provision of consolidated financial accounting information;
- cash flow management with optimised rebalancing;
- monitoring of compliance with mandates and with legislation;
- monitoring of management and performance fees charged by asset managers;
- regulatory reporting (SARB reports, audit certificates, Schedule IB – Assets held in compliance with Regulation 28)
- performance analysis reporting (fund fact sheets, investment reports);
- asset liability modelling;
- asset manager due diligence information; and
- transition management.

The diagram below illustrates the services provided by Sygnia’s Investment Administration Platform in the operations of a typical retirement fund:



The services provided by Sygnia Asset Management require the support of the following internal divisions:

- **Sygnia Life:** the limited linked investment life licence is used to enable Sygnia Asset Management to offer pooled portfolio investment solutions to institutional and retail clients;
- **Sygnia Systems:** the systems development division develops and supports the administration systems used by Sygnia Asset Management, as well as providing ongoing development for new features; and
- **Sygnia Securities:** the stockbroking division offers trading support for index-tracking funds managed by Sygnia Asset Management and transition management exercises undertaken by Sygnia Asset Management.

**Retail business: Sygnia Collective Investments RF, Sygnia Financial Services**

Sygnia Financial Services provides the following savings products to retail clients:

- retirement annuities;
- living annuities;
- preservation pension and provident funds;
- sinking funds policies (including access to funds of South African hedge fund products); and
- tax-free savings accounts.

It also offers direct investors access to Sygnia's unit trusts offered by Sygnia Collective Investments RF, as well as a comprehensive range of third party unit trusts managed by external asset managers.

Sygnia Collective Investments RF offers the following unit trust funds to retail investors:

- Multi-Manager unit trusts (balanced and specialist); and
- index-tracking unit trusts (balanced and specialist).

The service provision is supported by the following internal divisions:

**Sygnia Life:** the limited life licence is used to enable Sygnia Financial Services to offer living annuities and sinking fund policies to retail investors;

**Sygnia Systems:** the systems development division develops and supports the administration systems used by Sygnia Financial Services and Sygnia Collective Investments RF;

**Sygnia Alchemy:** this systems development division supports the investor portal as well as developing additional investor tools; and

**Sygnia Asset Management:** the asset management business provides asset management services to Sygnia Collective Investments RF.

#### 1.4 IT

Sygnia uses a combination of proprietary and standard IT systems. The Group's IT infrastructure is standardised and centralised with the main data centre situated at Sygnia's head office in The Foundry, Green Point. The IT infrastructure is supported by Sygnia's IT division. The costs of services provided by Sygnia's IT division are recovered from the various business units on an agreed allocation basis.

Each of Sygnia's three offices is fitted with a generator to ensure day-to-day business continuity. In addition, a third party disaster recovery data centre facility, based in Bellville, includes enhanced environmental monitoring, generators, uninterrupted power supply and fire suppression.

Internal and external software licensing is managed by Sygnia's IT division.

The intellectual property of its proprietary in-house developed systems is owned by Sygnia Systems, in the case of the Sygnia Platinum Investment Administration Systems (institutional system), and Sygnia Alchemy, in the case of the Sygnia Alchemy Investment Administration System (retail system).

#### 1.5 B-BBEE

B-BBEE is a Government policy aimed at rectifying the historical inequalities in South Africa. The Government's B-BBEE policy is detailed in the Codes of Good Practice issued pursuant to the B-BBEE Act. The B-BBEE Act allows for each sector of the economy to develop its own codes to reflect the specifics of each sector. Consequently, Sygnia Asset Management is committed to complying with the Financial Sector Code as read with the Codes of Good Practice, which applies to the financial services industry. Sygnia Asset Management is required to comply with certain targets in respect of ownership, management control, skills development, enterprise and supplier development and socio-economic development. B-BBEE compliance is a key factor in attracting new corporate and institutional clients, especially from Government or related organisations, and in maintaining existing clients.

Sygnia Asset Management's B-BBEE status was verified by Grant Thornton Verification Services Proprietary Limited, an accredited B-BBEE verification agency, in October 2014 and the company achieved a Level 2 empowerment contributor rating score (Level 1 is the highest score and Level 8 is the lowest score).

It is anticipated that the Financial Sector Code will be revised in October 2015 in line with the revisions implemented with respect to the Codes of Good Practice, which came into effect on 30 April 2015. Based on the Group's understanding of the Codes and the anticipated changes that are expected to be made to the Financial Sector Code, it is anticipated that Sygnia Asset Management's empowerment contributor rating is likely to drop by a few levels. This would take effect after the expiry of the existing audit certificate, which is valid until 17 November 2015. Sygnia Asset Management is putting strategies into place aimed at avoiding such a down-rating. However, until such time as the new Financial Sector Code has been issued, the scorecard remains an unknown challenge. Sygnia Asset Management is in a similar position to other financial services companies. No short-term client losses are expected as a consequence of the potential down-rating.

Pre-Listing Sygnia Asset Management's existing B-BBEE ownership scheme will be converted to a similar scheme at Sygnia-level.

## 2. PURPOSE OF LISTING ON THE JSE

The Private Placing comprises the Offer for Subscription of 28,244,834 Subscription Shares and the Offer for Sale by the Selling Shareholder of 2,980,000 Sale Shares, collectively, the Placing Shares.

The reasons for the Private Placing and the Offer for Subscription are to:

- enhance the Group's public profile, brand recognition and general public awareness in order to facilitate growth;
- strengthen the balance sheet of the Group to provide it with sufficient headroom in terms of the regulatory capital requirements and to enable the Group to pursue its organic growth strategies faster than it has been able to do to date;
- enable the Group to access capital markets, as and if required;
- enable the Group to retain key management staff by offering them access to listed Ordinary Shares in the Group; and
- allow the Group to pursue its systems development strategies faster.

The net proceeds from the Offer for Subscription are estimated to be R232,506,606, after deducting the estimated Private Placing and Listing expenses of R4,750,000. These net proceeds will be used to increase the Group's regulatory capital holdings, pursue systems development strategies, actively market Sygnia's brand and the profile of index-tracking, general research and development expenditure, augment distribution channels and facilitate geographic expansion.

## 3. MARKET OVERVIEW

### Definitions specifically used in the "Market Overview" section of this Pre-Listing Statement

"10x"	10x Investments Proprietary Limited providing retirement investment solutions;
"27Four"	27Four Investment Managers Proprietary Limited, a financial services provider and Multi-Manager;
"Absa AIMS"	Absa Wealth and Investment Management, a division of Absa Bank providing wealth management services;
"Alexander Forbes Asset Consulting"	a division of Alexander Forbes Limited, providing consulting and actuarial services;
"Allan Gray"	Allan Gray Proprietary Limited, a privately owned investment management company;
"Alpha"	Alpha Wealth Management, offering multi-asset investment solutions and services;
"Blue Ink"	Blue Ink Investments Proprietary Limited, in which Sanlam is invested, provides private wealth asset management;
"Edge"	Edge Capital Proprietary Limited, a provider of alternative strategy investment products to institutional investors;
"Investment Solutions"	Investment Solutions Limited, a public company and a wholly-owned subsidiary of Alexander Forbes Limited;
"Investec"	Investec Asset Management, an asset manager providing a range of financial services to clients in Australia, South Africa and the UK;
"Momentum"	Momentum Asset Management Proprietary Limited, a wholly-owned subsidiary of MMI Holdings Limited;
"Momentum Outcome Based Solutions"	Momentum Outcome Based Solutions Proprietary Limited, a Multi-Manager in South Africa;
"NBC Investment Consultants"	NBC Holdings Proprietary Limited, providing employee benefits services and related products for the retirement fund industry;
"Novare"	Novare Holdings Proprietary Limited, involved in asset management, investment consulting and private equity;
"Old Mutual"	Old Mutual plc, providing investment, savings, insurance and banking services;
"Old Mutual Actuaries and Consultants"	Old Mutual Actuaries and Consultants, a division of Old Mutual, provides actuarial consultancy services;
"OMGxt"	Old Mutual Global Index Trackers, an index tracker asset manager;
"OM Multi-Managers"	Old Mutual Multi-Managers, a subsidiary of Old Mutual, a Multi-Manager service provider;

"Prescient"	Prescient Holdings Proprietary Limited, provides investment and wealth management and administration services;
"Riscura"	Riscura Asset Manager Services Proprietary Limited, provides investment consulting and risk and performance analysis reporting throughout Africa;
"Sanlam"	Sanlam Limited, a financial services group;
"SATRIX"	SATRIX Managers (RF) Proprietary Limited, a subsidiary of Sanlam Investment Holdings Limited, a provider of passive investment products in South Africa;
"Stanlib"	Stanlib, a group of companies (Stanlib Wealth Management Limited, Stanlib Asset Management Limited and/or Stanlib Collective Investments (RF) Limited), all subsidiaries of Standard Bank and multi-specialist investment companies;
"Towers Watson"	Towers Watson Proprietary Limited, a global professional services company; and
"Tri-Alpha"	Tri-Alpha Investment Management Proprietary Limited, an investment management firm.

Retirement funds constitute the most effective formal channel for savings in South Africa. Individual employees may supplement formal retirement fund savings with retirement annuities. The retirement funds market is subject to certain threats and opportunities which in turn present threats and opportunities to Sygnia's business model. Retirement funds experience withdrawals by members as a consequence of the termination of their employment (dismissal, resignation, retrenchment), as well as a consequence of death, disability or retirement.

On the retail side, preservation funds are the most suitable vehicles for capturing assets of members who terminate their existing employment relationship. Self-employed individuals, as well as those working for employers who do not offer a formal retirement fund typically save for retirement through a retirement annuity fund. Living annuities remain the most popular choice among people retiring from both formal retirement funds and retirement annuity funds.

#### Market size

Multi-management, as an investment approach, is well-accepted in both the institutional and the retail markets in South Africa. Most life insurers and some banks own Multi-Manager operations. Based on the Alexander Forbes Manager Watch Survey of Retirement Fund Investment Managers (December 2014), the value of assets managed and administered by four of the largest Multi-Managers increased from R269 billion as at 30 June 2009 to R591 billion as at 30 June 2014. These figures exclude Sygnia's assets as Sygnia does not participate in the survey.

With the inclusion of Sygnia's assets, the above-mentioned figures increase to R302 billion as at 30 June 2009 and R721 billion as at 30 June 2014. This translates to an annualised growth of approximately 17.0%.

According to the SARB Quarterly Bulletin (December 2014), the market for savings and investments was estimated at R6.6 trillion as at 30 June 2014. The breakdown of the market is as follows:

Source	Market value (R'000)	Percentage (%)
Unit trusts	R1 614 093 000	24.3
PIC	R1 686 476 000	25.4
Long-term insurers	R2 334 575 000	35.1
Short-term insurers	R122 318 000	1.8
Private self-administered pension and provident funds	R894 976 000	13.4
<b>TOTAL</b>	<b>R6 652 438 000</b>	<b>100.0</b>

Source: SARB Quarterly Bulletin, December 2014

The private self-administered pension and provident funds remain an attractive target market for the Group with the absolute asset size increasing steadily. However, most of the growth has been a function of market returns. The unit trust market, on the other hand, has grown significantly faster than the institutional market as assets have shifted from life insurance products to unit trust structures.

Date	Private self-administered pension and provident funds asset size (R'000)	Percentage growth (%)	Unit trusts asset size (R'000)	Percentage growth (%)
Q4 2008	R530 045 000		R642 966 000	
Q4 2009	R581 220 000	9.65	R748 708 000	16.45
Q4 2010	R657 696 000	13.16	R899 759 000	20.17
Q4 2011	R657 930 000	0.04	R978 049 000	8.70
Q4 2012	R756 884 000	15.04	R1 204 411 000	23.14
Q4 2013	R842 346 000	11.29	R1 483 744 000	23.19
Q2 2014	R894 976 000	6.25	R1 614 093 000	8.79

Source: SARB Quarterly Bulletin, December 2014

### Sygnia's relative market position

Using the SARB Quarterly Bulletin figures Sygnia's institutional assets constitute 13.4% of the assets of private self-administered pension and provident funds in South Africa. The Company's unit trusts represent 0.52% of the total unit trust market.

In terms of current AUM, Sygnia's R137 billion as at 30 June 2015 compares as follows to its competitors as per the Alexander Forbes Manager Watch Survey of Retirement Fund Investment Managers (December 2014).

Rank	Asset manager	Assets under management (R million)
1	Coronation Fund Managers	R576 566
2	Old Mutual Investment Group	R574 663
3	Investec Asset Management	R505 369
4	Allan Gray Limited	R462 089
5	Sanlam Investment Management	R446 270
6	STANLIB Asset Management	R403 101
<b>7</b>	<b>Investment Solutions</b>	<b>R270 651</b>
8	Momentum Asset Managers	R179 975
9	Prudential Portfolio Managers	R177 693
<b>10</b>	<b>Momentum Manager of Managers</b>	<b>R170 625</b>
11	Futuregrowth Asset Management	R137 734
12	Foord Asset Management	R136 534
13	ABSA Asset Management	R104 398
<b>14</b>	<b>Sanlam Multi-Manager International</b>	<b>R93 192</b>
15	Taquanta Asset Managers	R90 175
16	ABAX investments	R73 676
17	Kagiso Asset Management	R71 412
18	Old Mutual Global Index Trackers	R64 118
19	Prescient Investment Management	R59 064
<b>20</b>	<b>Old Mutual Multi-Manager</b>	<b>R56 488</b>

Other Multi-Managers have been highlighted in the table above.

Sygnia's asset base is relatively small at this stage. The scope for growth is therefore significant over the short to medium term.

### Classification of competitors

The Group competes against different players in respect of the various products that it offers.

Product/service	Comment	Competitors
Institutional Multi-Manager products	Sygnia offers similar products to its competitors which compete in recognised market surveys	Investment Solutions <sup>1</sup> OM Multi-Managers <sup>1</sup> Momentum Outcome Based Solutions <sup>1</sup> Sanlam Multi-Managers <sup>1</sup> 27Four
Funds of South African hedge funds	Sygnia offers similar products to its competitors which compete in recognised market surveys	Investment Solutions/Caveo <sup>1</sup> Blue Ink <sup>1</sup> 27Four Alpha Edge TriAlpha Momentum Outcome Based Solutions <sup>1</sup>
Customised multi-management	Sygnia offers a similar range of services	Investment Solutions <sup>1</sup> Momentum Outcome Based Solutions <sup>1</sup> Riscura Towers Watson <sup>2</sup> NBC Investment Consultants <sup>1,2</sup> Novare <sup>2</sup> Alexander Forbes Asset Consulting <sup>1,2</sup> Old Mutual Actuaries and Consultants <sup>1,2</sup> Ginsberg Asset Consulting <sup>2</sup>
Investment administration	Sygnia offers a similar range of administration services	Investment Solutions <sup>1</sup> Momentum Outcome Based Solutions <sup>1</sup> Prescient
Index-tracking management	Sygnia offers similar investment management services and products	10x Satrix <sup>1</sup> OMGxT <sup>1</sup> Stanlib <sup>1</sup>
LISPs	Sygnia Financial Services offers similar savings products and administration services	Old Mutual <sup>1</sup> Sanlam <sup>1</sup> Stanlib <sup>1</sup> Momentum <sup>1</sup> Allan Gray Investec Absa AIMS <sup>1</sup>
Retail multi-management	Sygnia offers similar products	A wide range of unit trusts is managed on a fund-of-funds or Multi-Manager basis, including funds offered by life insurers, banks, Multi-Managers and financial advisory businesses with Category II FSP licences

<sup>1</sup> Depend on an in-house distribution channel

<sup>2</sup> Services are limited to consulting advice only but may overlap some of the services performed by Sygnia Asset Management (e.g. asset manager selection, performance reporting, portfolio construction)

There are a limited number of successful financial services groups that have not relied on in-house distribution channels for growth. However, that convenience comes at a price. Sygnia is one of the few companies that offer products and services without competing with its client base. The Group does not offer consulting or advisory services as a standalone service to its clients. It also does not currently offer Umbrella Funds. Consequently, many independent employee benefits consulting firms and financial advisory firms prefer to deal with Sygnia rather than with its competitors.

### **Market challenges and opportunities**

#### *Challenge 1: Low levels of preservation of retirement savings in South Africa*

South Africa suffers from a poor savings culture. A significant loss of value occurs due to the non-preservation of retirement savings when employees move between employers. Alexander Forbes Limited, the country's largest liability administrator, estimates that approximately 51% of outflows by value are withdrawn as cash ahead of retirement and at retirement as an allowable lump sum. In terms of the SARB Quarterly Bulletin (March, 2015), gross saving by the household sector as a percentage of gross domestic product equaled 0.2% in the fourth quarter of 2014.

In response to the low level of savings, National Treasury has proposed retirement reforms which aim to harmonize the tax treatment of pension funds and provident funds, as well as to implement compulsory preservation before retirement. This will significantly reduce the amount of cash outflows from retirement funds. The retirement reforms are due to come into effect on 1 March 2016. These measures are expected to lead to net growth in retirement fund assets and hence will be positive for the Group.

#### *Challenge 2: Loss of control of retirement savings on withdrawal or retirement*

National Treasury has announced its objective of mandating the introduction of default annuity and preservation funds within all retirement funds. Members will be enrolled in such products, but will be allowed to opt-out subject to taking financial advice and choosing a similar product or a conventional life annuity. Draft legislation is expected in 2015. This provides an opportunity for Sygnia Financial Services to offer its low cost savings products to Sygnia Asset Management's distribution partners as ideal vehicles for such "defaults".

#### *Challenge 3: Access to savings by lower income groups*

It is not compulsory for employers to offer retirement savings schemes to employees. A large portion of employees with no retirement savings work for small employers and/or are low income earners. Provision of retirement savings arrangements to the lower income sector has been hampered by low levels of financial education, difficulties in accessing products and information and the high cost and high level of minimum contributions required by most commercial arrangements. However, it is a market segment that should not be ignored in terms of marketing focus. The introduction of tax-free savings accounts means that a simple savings vehicle is put in place for such employees. The Group intends to allocate resources to looking at a commercially-viable savings product for this segment of the market.

#### *Challenge 4: Retirement fund consolidation*

There has been significant consolidation in the retirement fund industry in South Africa in recent years. The number of registered retirement funds has decreased from approximately 13,000 in 2005 to 2,917 privately-administered funds as at 31 December 2013 and 2,218 underwritten funds (2013 Annual Report – Registrar of Pension Funds). However, as Sygnia's level of market penetration remains relatively low, the opportunities for growth remain strong.

The consolidation of retirement funds through the greater use of Umbrella Funds has not materially impacted the Group despite the fact that it does not offer an Umbrella Fund as this would compete directly with Sygnia's distribution partners. The Group's administration services, in particular, are ideally suited to simplifying the administration requirements of Umbrella Funds. This is an area of growth being pursued by the Group.

Independently, the charges inherent in Umbrella Funds are significant and as and when participating employers become aware of this, it is likely that they will demand changes within Umbrella Funds. One of the changes already being requested by certain employers is the inclusion of Sygnia's low cost solutions in the Umbrella Funds' investment choice menus. This represents a significant growth opportunity for the Group going forward.

#### *Challenge 5: Convergence of the retail and institutional markets driven by fee compression*

With growing pressure on fee margins and increasing regulatory complexity, the traditionally separate institutional and retail products and services are converging. The examples of this conversion include:

- Investment consulting advice is becoming standardised. Independent financial advisors are reverting to "model portfolio" strategies implemented via LISPs and "white-label" broker funds in order to simplify and standardise the investment advice offered to clients. Institutional consultants are increasingly using Multi-Manager products

(whether customised or off-the-shelf) in order to simplify their investment research requirements and mitigate against operational risk;

- In the retail market the use of clean unit prices which do not pay rebates to LISPs is becoming more widely accepted, lowering the cost to the ultimate consumer;
- Performance fees are coming under greater scrutiny in both the institutional and retail market segments;
- Awareness of index-tracking funds, offered at similar fees to both institutional and retail investors, is growing;
- Capping of tax deductible contributions to approved retirement funds at R350,000 per annum will drive high net worth individuals towards supplementing their retirement savings with retail savings products;
- The introduction of default annuities and preservation funds within retirement funds may dis-intermediate independent financial advisors and reduce costs. This change will also support the move towards DIY investing;
- Harmonisation of the treatment of pension funds, provident funds and retirement annuities makes group retirement annuity arrangements an attractive alternative to traditional retirement funds and Umbrella Funds; and
- The introduction of retail tax-free savings accounts offers yet another alternative to traditional institutional retirement funds for lower income earners, in particular.

With its wide range of low cost products and robust systems and platforms, as well as the absence of legacy business that needs to be taken into account, the Group is well positioned to take advantage of all these market shifts.

*Challenge 6: Trend towards DIY investing by the younger generation*

DIY investing is becoming a strong trend in South Africa as access to information becomes easier and as the younger generation demands the right to make their own decisions and choices in their own time. Once again this trend threatens the traditional model of financial planning advice provision. The Group is well positioned to capture this segment of the market based on its innovative technologies and a value-for-money savings proposition.

*Challenge 7: Investing for the bear market*

All financial services companies have benefited from the prolonged bull market which followed the most recent global financial crisis. The bull market may well continue in emerging markets for as long as global central banks adopt loose monetary policies and unconventional approaches, such as quantitative easing, to deal with economic malaise. However, at some point, it is likely that the South African market will enter a bear-market phase where capital preservation will become a key consideration. The Group is well positioned to use its 12-year track record in managing funds of South African hedge funds, as well as its international products to offer its clients alternative investment options in the event of a bear market.

*Challenge 8: Declining size of the institutional market in South Africa*

The private self-administered retirement fund sector has shown reasonable growth in assets under management in recent years. However the growth has been largely the result of market returns. Benefit payments have consistently exceeded contributions to retirement funds, resulting in a consistent net cash outflow from the industry.

The net cash outflow in the South African retirement funds industry between 2008 and 2014 has been as follows:

<b>Data shown as at the end of:</b>	<b>Member and employer contributions (R'000)</b>	<b>Benefits and expenses (R'000)</b>	<b>Net flows (R'000)</b>
2008	R32 612 000	R36 498 000	(R3 886 000)
2009	R42 144 000	R54 268 000	(R12 124 000)
2010	R44 342 000	R69 359 000	(R25 017 000)
2011	R45 487 000	R67 500 000	(R22 013 000)
2012	R46 170 000	R71 415 000	(R25 245 000)
2013	R52 719 000	R75 663 000	(R22 944 000)
2014	R55 910 000	R80 103 000	(R24 193 000)

\* Source: SARB Quarterly Bulletin, June 2015

The net sales of collective investment schemes, on the other hand, have been growing at a steady pace:

<b>Data shown as at the end of:</b>	<b>Net sales (R'000)</b>
2008	R45 948 000
2009	R71 609 000
2010	R88 425 000
2011	R44 430 000
2012	R67 661 000
2013	R86 408 000
2014 (first 6 months of the year)	R42 237 000

\* Source: SARB Quarterly Bulletin, June 2015

Consequently the Group's shift of focus towards the retail market is well-timed. The Group may also consider looking for opportunities outside of South Africa for growth in the future.

#### 4. KEY STRENGTHS

Sygnia believes that its main competitive advantages in South Africa are:

**The Founding Shareholders and management team have a wealth of experience in the field of asset management and retirement fund consulting, and a deep understanding of the institutional and retail markets in South Africa.**

The management team of Sygnia includes actuaries, lawyers, an IT professional and chartered accountants, all of whom have long-term successful track records within the financial services industry, both in South Africa and abroad. In addition, the Founding Shareholders of the Group are all involved in the day-to-day management of operations. The Founding Shareholders have successfully grown Sygnia from a start-up in 2006 to a group with R137 billion in assets under management and administration as at 30 June 2015.

**The Founding Shareholders have a successful track record of organically building entrepreneurial businesses and creating shareholder value.**

The CEO, Magda Wierzycka, was responsible for the growth of the institutional business of Coronation Fund Managers, where she was the Head of Institutional Business, from approximately R11 billion in 1996 to R60 billion in 2003, and that of African Harvest Fund Managers, where she was the CEO, from R10 billion in 2003 to R35 billion in 2006. African Harvest Fund Managers was sold to Cadiz for R300 million in 2006, creating substantial value for its existing shareholders.

Sygnia commenced operating on 1 November 2006 with R2 billion in AUM. The AUM has grown to R137 billion as at 30 June 2015.

**Sygnia's proprietary Multi-Manager administration systems are regarded as market leaders in South Africa and make Sygnia's services highly scalable.**

Sygnia pioneered the concept of developing administration systems with a specific focus on administering Multi-Manager and fund-of-funds products in South Africa. The development was a response to the visible lack of commercially available systems with the required functionality both domestically and internationally. The Sygnia Platinum Investment Administration System remains a leader in its field. The ongoing development of further features is regarded as a business priority.

The ability to automate the administration of Multi-Manager investment solutions has meant that Sygnia could offer customised investment strategy design as a service on a bulk basis. The system is completely scalable and can accommodate an unlimited number of clients with virtually unlimited complexity of investment structures. All cash flow management and valuation processes are fully automated.

Based on the quality and functionality of its systems Sygnia was appointed to provide Multi-Manager administration services to one of the world's leading international Multi-Manager companies in 2008.

**The Group has built up a strong reputation for offering client service excellence, strong performance and transparency and fairness of costs and charges. The culture of putting the customer first is ingrained in the manner in which Sygnia operates.**

Sygnia has prioritized the objective of lowering costs within the financial services industry, while making charges as transparent as possible. This is demonstrated below:

- In 2007 Sygnia entered the Multi-Manager market by offering investment management and administration as standalone services, priced in a transparent and visible manner;
- In 2008 Sygnia became the first South African Multi-Manager to disclose all fees and charges within its Multi-Manager investment products, including its own profit margins;
- In 2012 Sygnia launched its range of passively-managed balanced products, the Sygnia Skeleton Funds, to South African institutional clients at the very low fee of 0.40% per annum, including VAT;
- On 1 October 2013, Sygnia launched a wide range of passively-managed index-tracking unit trusts to South African retail clients, all priced at 0.40% per annum, including VAT, the lowest management fee available within the unit trust industry in the country;
- On 1 October 2013, Sygnia launched the lowest-priced savings products to South African retail clients, at 0.40% per annum, including VAT (retirement annuities, living annuities, direct investments and preservation funds linked to passively-managed investment funds); and
- On 1 March 2015, Sygnia launched the lowest-priced tax-free savings product to South African retail clients, at 0.40% per annum, including VAT.

**The Group has long-standing relationships with many leading employee benefits consulting, investment consulting and financial advisory businesses in South Africa. This will support its future institutional and retail growth.**

Sygnia has built strong distribution relationships with a large number of small and medium-sized employee benefits consultants and select independent financial advisors in South Africa. This enables Sygnia to grow as those consulting entities acquire additional clients. These relationships are based on Sygnia's perceived and actual independence in the South African financial services industry and its "free of conflict with clients" business model. These relationships are thus not particularly vulnerable to Sygnia's main competitors which all offer advisory services in direct competition to the employee benefits consultants and financial advisors.

Sygnia's retail business is well-positioned to leverage off these relationships, particularly once regulatory reform makes the provision of default retirement savings products to members of retirement funds compulsory.

**Sygnia is well positioned to take advantage of the changing regulatory dynamics.**

Sygnia's business model of offering fee transparency and cost efficiency ensures that the Group is ideally placed to deal with the required market conduct outcomes of the TCF regulatory framework, which framework will be encompassed in the Conduct of Financial Institutions Bill (CoFI Bill), once legislated. In addition Sygnia has developed, and continues to develop, software tools targeted specifically at complying with the required outcomes.

As mentioned above, as regulatory reform makes the provision of default retirement savings products to members of retirement funds compulsory, Sygnia is able to target a growing retail client base through its existing institutional business.

Sygnia's low cost solutions, including index-tracking funds and savings products, are less vulnerable to the cost cutting pressures facing the financial services industry. In addition, its index-tracking capabilities are of interest to other third party asset managers seeking to reduce the total cost of their own multi-managed products to their investors.

Sygnia has few legacies and hence is able to adjust quickly to changing market dynamics. Consequently the Group views most regulatory changes as an opportunity rather than a threat. For example, Sygnia was the first company to launch daily Regulation 28 compliance monitoring as a service to retirement funds in 2012, it was one of the first financial services companies to provide dividend withholding tax reporting to SARS in 2012 and it was one of the first companies to launch a tax-free savings account on 1 March 2015.

**Sygnia has a reputation for innovation and being a Market Disruptor within the financial services industry in South Africa. The desire to innovate through unconventional and contrarian business strategies continues to drive strategy.**

Sygnia has grown to R137 billion AUM by creating new business models around existing industries. The list of innovations includes, but is not limited to:

- in 2003 the Founding Shareholders launched one of the first two funds of South African hedge funds in South Africa;

- in 2003 the Founding Shareholders launched one of the first full-replication equity index-tracking funds in South Africa;
- in 2007 Sygnia was the first Multi-Manager to offer investment management and administration as distinct, well-defined standalone services, priced in a transparent and service-specific manner;
- in 2012 Sygnia launched the first passively-managed balanced products targeted at South African institutional clients;
- in 2013 Sygnia launched the lowest priced unit trusts and savings products to South African retail clients, at the low fee of 0.40% per annum, including VAT;
- in 2013 Sygnia launched the first passively-managed balanced range of unit trusts targeted at South African retail clients; and
- in 2014 Sygnia launched one of the first Africa index-tracking products in South Africa.

**The Group has a growing revenue base while being a cash generative business.**

Sygnia has grown organically by re-investing profits on an ongoing basis. Sygnia's revenue has shown consistent year-on-year growth since inception.

The Group has a diversified earnings profile, with a well-spread and diversified client base.

The Group has limited working capital requirements with high cash flow generation and limited credit risk exposure in the business as a significant proportion of its revenue is collected automatically at month-end directly from clients' assets. Sygnia's exposure to debtors remains limited as investments into products are made only once assets are received. Sygnia's capital expenditure requirements relate mainly to systems development and IT investments. These costs are relatively stable and predictable.

There are multiple, well-diversified areas of growth which have been identified as presenting highly attractive opportunities for the Group going forward.

Sygnia has a well-diversified service and product offering with clearly identifiable growth strategies. Given its relatively low market penetration, Sygnia's growth potential remains significant in all areas of its business as set out in paragraph 5 headed "Growth Strategy".

**5. GROWTH STRATEGY**

Sygnia is pursuing a number of different growth strategies in different segments of the market. Sygnia's investment in people and systems development over the past eight years has placed it in a strong position to capitalise on changing South African market dynamics and attract funds traditionally captured by the larger asset managers and insurers, where Sygnia has not to-date been able to access these funds due to its relative anonymity.

The tables below set out the key performance indicators for Sygnia's key business units and product ranges for the periods indicated:

<b>Financial period ended</b>	<b>Institutional assets under management and administration</b>
30 September 2010	R62 668 947
30 September 2011	R70 370 948
30 September 2012	R82 672 522
30 September 2013	R102 963 198
30 September 2014	R105 053 116
31 March 2015	R112 411 605
30 June 2015	R128 807 456

<b>Financial period ended</b>	<b>Retail assets under management and administration</b>
30 September 2012	R4 486 247
30 September 2013	R5 925 747
30 September 2014	R7 469 335
31 March 2015	R8 450 200
30 June 2015	R8 631 090

<b>Financial period ended</b>	<b>Collective Investment Schemes</b>
30 September 2012	R4 486 247
30 September 2013	R6 305 885
30 September 2014	R12 164 605
31 March 2015	R14 601 246
30 June 2015	R14 657 536

<b>Financial period ended</b>	<b>LISP assets under administration</b>
30 September 2014	R1 140 231
31 March 2015	R1 912 415
30 June 2015	R2 510 185

<b>Financial period ended</b>	<b>Assets under management in funds of SA hedge funds</b>
30 September 2007	R450 264
30 September 2008	R748 278
30 September 2009	R781 298
30 September 2010	R916 791
30 September 2011	R939 433
30 September 2012	R1 129 344
30 September 2013	R1 107 565
30 September 2014	R1 137 553
31 March 2015	R1 960 300
30 June 2015	R2 051 568

<b>Financial period ended</b>	<b>Assets under management in passively-managed strategies (institutional and retail products)</b>
30 September 2007	R149 680
30 September 2008	R51 279
30 September 2009	R213 637
30 September 2010	R325 929
30 September 2011	R1 065 478
30 September 2012	R2 790 619
30 September 2013	R2 611 417
30 September 2014	R4 938 287
31 March 2015	R6 196 589
30 June 2015	R7 300 154

### ***Institutional growth strategy***

**Multi-Manager investment products:** Sygnia Asset Management's largest competitors are Alexander Forbes's subsidiary, Investment Solutions, and MMI's subsidiary, Momentum Outcome Based Solutions ("MOBS"). Sygnia Asset Management's investment performance has been consistently strong relative to its peers. To date Sygnia

Asset Management's penetration of the Investment Solutions client base, in particular, has been relatively low as Sygnia Asset Management's brand is not well-recognised by this client base. The Listing will afford Sygnia Asset Management the visibility it needs to both increase its market visibility and to make potential clients aware of the investment choices afforded by Sygnia's product range. In addition, changes to regulations relating to the marketing and provision of funds-of-hedge-funds to the retail market are expected to provide that product category with broader institutional market acceptance. With a 12-year performance track record, Sygnia Asset Management is well positioned to take advantage of potential growth in that area.

**Index-tracking investment management:** Sygnia Asset Management's largest competitors in the specialist index-tracking field are Old Mutual's division, OMGX, and Sanlam's subsidiary, SATRIX. In the balanced index-tracking field the competitors are 10x and Investment Solutions. Interest in index-tracking as an appropriate asset management approach is only beginning to grow. Driven by National Treasury, which mentioned index-tracking in both its 2013 'Changes in SA Retirement Funds' paper, as well as in the 2015 Budget, and by the South African media, Sygnia's index-tracking funds have been well received by both the institutional and retail markets. The retirement fund reform initiative, which aims to introduce default savings products within retirement funds, is also likely to provide support for Sygnia's retail savings products which are linked to Sygnia's index-tracking funds. Sygnia has set itself the objective of becoming one of the two largest index-tracking asset managers in South Africa within five years.

**Customised multi-management and investment administration:** Sygnia Asset Management offers institutional clients the option of designing their own investment strategies according to the risk-profile and requirements of their membership base. Sygnia Asset Management also provides standalone investment administration services to institutional clients. Sygnia Asset Management's largest competitor in this sector is Investment Solutions. Once again, with an enhanced profile afforded by the Listing, Sygnia Asset Management aims to actively market its products and offerings to clients that it has historically not been able to access due to a lack of visibility. The two other target markets include large retirement funds where historically advice has been provided by South Africa's largest employee benefits consulting groups, and where Sygnia Asset Management has limited presence, and parastatal funds, where Sygnia Asset Management has minimal representation. Increasing regulatory requirements placed on retirement funds, for example retirement reform, are expected to be a strong driver of growth in this area.

### ***Retail growth strategy***

As at 30 June 2015, Sygnia's retail businesses (Sygnia Collective Investments RF and Sygnia Financial Services) included approximately 3,000 individual clients, R8.6 billion in unit trust assets and R2.5 billion in LISP assets under administration.

Assets under management in Sygnia Collective Investments RF unit trusts grow as Sygnia Financial Services grows. Sygnia Financial Services does not charge administration fees for assets invested in Sygnia Collective Investments RF or Sygnia Life's products, but does charge an administration fee for assets invested in third party unit trusts.

The retail growth strategy is premised on three independent avenues of growth:

**Independent financial advisors:** Sygnia Financial Services has been described as a Market Disruptor (Alec Hogg, 2013) by launching savings and investment products at the lowest management fees in South Africa. As a consequence, the recognition of the Sygnia brand has grown exponentially over the past eighteen months. The number of independent financial advisors utilising Sygnia Financial Services LISP platform is growing as the level of comfort with a "new" player in the industry grows. A dedicated client services team is in place, and will be expanded, to ensure that the growth continues. In addition, Sygnia Financial Services will focus on striking strategic relationships with identified independent financial advisors to ensure more substantial asset flow support for the LISP platform. Sygnia Financial Services is also developing software tools to ensure that, when RDR is legislated (see paragraph 7 headed "Applicable Legislation"), Sygnia Financial Services is placed in a strong position to become a preferred partner for multi-tiered financial advisors.

**Direct business:** Sygnia Financial Services' strategic low-cost positioning has already attracted the attention of financially astute direct investors. The Listing will provide the Group with significant opportunities to increase the profile of its brand in the South African market, and hence to increase potential investors' awareness of its offering. Following the Listing marketing, promotional and advertising initiatives will be focused on the retail investor. In addition Sygnia Financial Services has and continues to develop a range of DIY saving tools to facilitate direct investing. These tools will be released over time as part of Sygnia Financial Services' internet platform.

As at 31 March 2015, the split was 24.65% direct investors versus 75.35% tied investors on the LISP.

In addition to the traditional retail client base, Sygnia Securities may in the future be utilised to launch products and services based on direct share trading to direct investors.

**Members of retirement funds:** Sygnia Asset Management manages and administers assets on behalf of approximately 450 retirement funds. The expected retirement fund reform initiative aims to make it compulsory for retirement funds to offer their members default savings options on withdrawal from the fund (preservation fund) and on retirement (annuity). The legislation is likely to come into effect in 2016 or 2017. Sygnia Financial Services' low cost savings products offer the ideal low-business-risk solution for many of its distribution partners, as well as potential new clients. The products eliminate the risk of benefit erosion through fees and the risk of underperformance of the market. This presents Sygnia Financial Services with an opportunity to leverage off its existing relationships to offer its savings products to existing clients. It also offers Sygnia Financial Services the opportunity to penetrate new client markets which do not currently use Sygnia's platforms.

Apart from the retirement fund reform initiative, Sygnia Financial Services is currently working with Sygnia Asset Management's distribution partners and select financial advisors to introduce savings products to the existing membership base. As an example, Investment Solutions' capture rate, which measures the percentage of preserved assets within the retirement funds administered by Alexander Forbes that are captured or consulted to by its financial planning division, was 33% as at 31 March 2014. Most of Sygnia Asset Management's distribution partners have not put in place meaningful strategies to capture exiting members' assets.

## 6. RISK CONSIDERATIONS

### 6.1 RISK FACTORS

The following risk factors described below, and all other information contained in this Pre-Listing Statement, should be considered before making a decision to participate in the Private Placing. If any of the following risk factors, as well as other risks and uncertainties that are not currently known to the Group or that it currently believes are not material, actually occur, the Group's business, financial condition and results of operations may be materially and adversely affected. Accordingly, the trading price of the Placing Shares could decline due to any of these risks occurring and investors could lose part or all of their investment.

**Market fluctuations and a deterioration of economic, market and/or political conditions may adversely affect the Group's business and results of operations.**

The Group's revenue and profitability are directly linked to the return on capital and value of assets it manages and administers as its fees are calculated as a percentage of AUM. In addition, the Group's profitability is also affected by the return on its capital invested. Consequently, the Group's business and results of operations may be materially affected by prevailing investment, market and economic conditions. Hence market volatility and any prolonged period of market downturn will have an adverse effect on the Group. The Group derives revenue from performance fees which may come under pressure in the event of prolonged bear markets.

Much of the investment in the South African financial markets has been driven by foreign investments. Any shift in foreign investor sentiment, which consequently translates into a reversal of investment flows out of South African markets, may affect the Group's profitability and financial position.

In more general terms global and domestic factors, including interest rates, credit spreads, equity prices, foreign currency exchange rates, consumer spending, business investment, Government spending, the volatility and strength of capital markets, deflation and inflation can all affect the Group's financial condition, as well as the volume, profitability and results of its operations.

In addition the Group operates in South Africa, which is considered by international investors to be an emerging market. Emerging markets are thought to be subject to greater risks than developed markets, including higher risk of unpredictable changes in regulatory, economic and tax policies, volatility in capital markets and in currency valuations, higher levels of inflation, lower levels of economic development and prosperity, higher levels of crime, weaker corporate governance structures and slow or insufficient legal remedies. Such factors, which are outside of the control of the Group, may have a negative impact on the Group's ability to maintain and grow its business.

Given that the outlook for the domestic and the global economies remains mixed, short to medium term investment risks remain high. The mitigating factor is that a portion of the Group's revenue derives from foreign investments. Consequently a downturn in domestic markets may be partially compensated for through a corresponding depreciation of the domestic currency.

In the event of extreme prolonged market events, such as the recent global economic crisis, the Group could incur significant capital and operating losses.

**The Group's investment performance relative to established performance benchmarks and peers could have an impact on the Group's revenue.**

Sygnia competes with other Multi-Managers in the provision of investment solutions to the institutional and retail markets. The performance of the Group's products relative to their benchmarks and peers is key in retaining existing clients and acquiring new clients. Poor performance may result in client dissatisfaction and losses which, in turn, may have an adverse effect on Sygnia's financial results.

The Group's performance is also vulnerable to factors which are beyond the control of the Group. These may include periods of market downturns when all asset classes underperform benchmarks, or periods when any of its third party asset managers make incorrect decisions and underperform set benchmarks. Any such underperformance will also have a negative impact on Sygnia's client relationships and hence potentially its financial performance.

**Changes in legislation, regulation and actions by regulatory authorities in South Africa may have an adverse effect on its business.**

Most of the Group's operations are subject to licensing requirements and extensive regulation in South Africa. Key regulations applicable to the Group's operations are summarised in the paragraph headed "Applicable Legislation".

The continued operations of the Group depend on the Group's ability to maintain the validity of its licenses and approvals. This in turn depends on the Group's compliance with applicable laws and regulation.

Legislation and regulation can change at any time in ways that may have a material impact on the Group's operations. Should the Group fail to respond to such changes and contravene legislation, it may be subject to enforcement actions, fines, revoking of its licenses and penalties.

At this point in time the most significant legal requirement for the Group is the adaptation to the introduction of the Solvency Assessment and Management regime in South Africa. The Solvency Assessment and Management regime, due to come into effect in 2016, will impose more stringent regulatory requirements on long-term insurers, requiring them to maintain adequate solvency capital based on the operational risks faced on a day-to-day basis. Sygnia Life will be required to comply with the solvency capital regulatory requirements, while the proposed consolidated supervision rules and related group capital requirements will need to be complied with across the Group. Maintaining higher capital solvency levels may lead to increased compliance costs, reporting requirements and resource allocation.

The second significant regulatory change is the Retail Distribution Review which aims to re-assess the role of financial advisors and their remuneration in the South African market.

The final challenge is the implementation of the "Twin Peaks" model of financial regulation in South Africa which will result in the establishment of two regulators, the Prudential Authority within the Reserve Bank responsible for the safety and soundness of financial services providers, and the Market Conduct Authority, whose duties it will be to protect customers of financial services firms and to supervise the way financial services providers operate. This will result in dual-regulated entities that undertake activities that give rise to both prudential and market conduct regulations being subject to increased regulation and supervision by more than one regulator.

**As the Group provides services to regulated retirement funds, any regulatory changes that affect this target market could have a significant effect on the way the Group operates and, in turn, on its financial condition and results of operations.**

The Group provides investment management, administration solutions and advisory services to retirement funds and its beneficiaries and members. Retirement funds are structured by taking into account applicable legal and regulatory requirements. These may change from time to time which, in turn, may have an adverse effect on the services offered by the Group, requiring the Group to either change or withdraw its services. Any increase in the cost of provision of such services may also have an impact on the Group's operations or cash flows.

**Competitive forces may impede the Group's growth.**

The market in which the Group operates is highly competitive. The Group's competitors include life insurance companies, investment consultants, employee benefits consultants, collective investment scheme companies, LISPs, asset management firms, banks and Multi-Managers. Sygnia's competitors vary in size and include both domestic companies and subsidiaries of multi-national companies.

Some of these entities may enjoy regulatory advantages, have greater resources, own access to distribution channels or be in a position to adopt more competitive pricing strategies. In addition, they may develop systems, products or services which compete directly with Sygnia's product and/or service range. This may result in a loss of market share by the Group and/or impede the ability of the Group to acquire new clients. This in turn may have a material effect on the Group's business and financial results.

**If any of the Group's management or administration contracts are terminated or amended to reduce fees, the Group's financial results may be affected.**

The institutional and retail markets have experienced a trend towards lower management fees. Although largely at the forefront of offering value-for-money investment solutions, Sygnia may not be able to maintain its current fee structures in respect of certain product ranges. Reduction in fees by existing clients may have an adverse impact on the Group's results. Similarly, any terminations of contracts by existing clients would have an adverse impact on the Group.

**The loss of key personnel or its senior client-facing staff could negatively affect the Group's operations, marketing efforts and financial results.**

The loss of key personnel could impede the Group's operations, growth, marketing and other objectives. The Group's success depends to a substantial extent on the ability and experience of its senior management, including its client-facing staff. The Group operates in a highly competitive environment which makes staff retention difficult. As part of the Listing, the Group is putting into place staff retention measures to mitigate that risk. There is no assurance, however, that these measures will be sufficient. Staff losses could have a material adverse effect on the Group's businesses and results of operations.

**Operational risks inherent in the Group's business could have a negative impact on its financial condition and results of operations.**

The Group is exposed to numerous operational risks, including the risk of direct or indirect loss resulting from inadequate or failed internal and external processes, systems and human error, or from external events. The Group's business is dependent on processing a high volume of complex transactions across numerous and diverse products and is subject to a number of different legal and regulatory requirements. All operations depend on Sygnia's proprietary administration systems supported by a sophisticated IT infrastructure.

The Group's continued success depends on its ability to ensure that such systems and IT infrastructure are adequate and appropriate going forward. This may require, from time to time, capital spending which may in turn impact on the Group's financial results.

The Group depends on IT networks and systems to process, transmit and store electronic information. Any security breaches resulting in an unauthorised disclosure of confidential information may negatively impact the Group's reputation or result in a violation of applicable data protection laws and regulations. This in turn may lead to possible fines, shutdowns or the disruptions of the Group's systems.

In addition, any disruptions in the Group's operations caused by fire, natural or man-made disasters, unplanned power outages or reductions, interruption of telephone or broadband services, terrorist attacks, cyber-attacks against its computer networks or other unauthorised access to customer and other data, or other similar occurrences, may have an adverse impact on its operations. Any disruption of service may also have an adverse impact on client confidence and the Group's general reputation, which in turn may have an adverse impact on the Group's results of operations.

**The Group's brand is key to the success of the business and the business may be negatively affected by adverse publicity, regulatory action or litigation.**

The Group's reputation is a key driver of all its relationships with clients. Adverse publicity associated with the performance of its services, or any perceived or actual failure to comply with regulatory requirements, including but not limited to the prevention of anti-money laundering or anti-terrorist financing activities, may cause damage to the Group's reputation and/or brand. Any such failure may result in increased regulatory supervision at best, or at worst, legal action, the imposing of fines, the withdrawal of licensing or the levying of penalties. This action would affect the Group's ability to retain existing clients and attract new clients. It would also force the Group to expend significant resources in seeking to reverse the effects of such adverse action.

**The Group is subject to possible "errors and omissions" claims by clients in respect of its business or operations. Results of operations, financial position or liquidity may be materially adversely affected by the outcome of actual and potential claims, lawsuits and proceedings.**

The Group provides numerous administration services and investment products to clients in South Africa and, to a limited extent, the United Kingdom and the United States. As a result, it is exposed to various actual and potential claims, lawsuits and other proceedings relating to alleged errors and omissions or non-compliance with laws and regulations, in the conduct of its ordinary course of business. The Group is thus exposed to potential claims for damages from clients due to actual or potential losses incurred as a consequence of the Group's failure to perform its services.

Inadequate disclosure with respect to its charging structures may expose the Group to regulatory sanctions and legal liability.

To the extent that any such claims or sanctions are not covered by Sygnia's Errors and Omissions insurance, this may have a material effect on the Group's business and results of operations. Although the Group takes all reasonable steps to reduce the probability of claim events, including putting in place bi-annual ISAE3402 Service Organisation Type 2 reviews and outsourcing its internal audit function, absolute prevention and predictability of such claims is not possible. Further details about the Group's Errors and Omissions insurance are included in the paragraph headed "Errors and Omissions insurance".

**Limited protection of the Group's intellectual property could harm its business.**

There can be no assurance that confidentiality, trade secret, trademark and copyright law protections are adequate to prevent the misappropriation of the Group's intellectual property including its proprietary systems. Redressing infringements may consume significant management time and financial resources. The Group may furthermore be unable to immediately detect the unauthorised use of its intellectual property thereby limiting its ability to take the necessary steps to enforce its rights. This in turn may have a material adverse impact on its business, financial condition or results of operations.

**The Group may be unable to anticipate or adapt to changes in client requirements, which may result in decreased demand for its products and services.**

In the event that retirement funds or investment trends may change and, as a result, sales of any of its products or services decline, the Group's cash flows and profitability may be adversely affected. It may not be able to offset any such decline with sales of alternative products or services. Although the Group monitors market developments closely and has a track record of innovation, its success depends in part on its ability to anticipate change and respond ahead of changes in its clients' requirements. If it is not able to anticipate such change and respond accordingly, its financial condition and results of operations may be materially and adversely affected. In addition, the Group may expend significant resources in researching, developing and marketing new products and services which may not materialise in anticipated sales, cash flows and profitability.

**The Group may, as part of its growth strategies, make acquisitions. Unsuccessful integration of such businesses, or mispricing in the purchase price, may materially affect the Group's operations and financial position.**

The Group may decide to acquire other businesses should suitable opportunities to grow its business arise. The Group may find it difficult to integrate such businesses and may face other risks related to such acquisitions, including but not limited to mispricing of the acquisition, misjudging its levels of potential revenue, expenses and profitability, and misjudging the strategic fit of the acquisitions relative to Sygnia's existing business operations. Although any acquisitions will be undertaken in the belief that they can contribute to the Group's competitiveness and profitability, there is no guarantee that such acquisitions will meet Sygnia's operational or financial expectations. Further, the Group may not be successful in identifying appropriate acquisition candidates or consummating acquisitions on terms favourable to the Group.

**If the Group is unsuccessful in implementing its growth strategies, its business may be adversely affected.**

The Group is pursuing a variety of growth strategies in respect of its different business units. The Group's success could be affected by a number of factors, both within and outside of its control. Factors within the Group's control include availability and allocation of resources, strategic decisions and the soundness of its operations and systems. Factors outside of its control include regulatory changes, deterioration in the capital markets, social and political instability, poor economic growth and other factors which the Group can not anticipate. If the Group is unsuccessful in implementing its growth strategies, it may be unable to maintain its cash flows and profitability.

**The Group is exposed to reputational risks in respect of its B-BBEE transformation policy.**

B-BBEE is the Government's policy to address the historical economic inequality in South Africa. The B-BBEE Act is the primary legislation through which this B-BBEE policy is implemented. Through the Codes of Good Practice, the B-BBEE Act currently requires compliance with targets in the following areas: ownership, management control, skills development, enterprise and supplier development and socio-economic development. Sygnia Asset Management is obliged to comply with the Financial Sector Codes, an industry-specific code promulgated under the B-BBEE Act and the associated Codes of Good Practice. The Financial Sector Codes are subject to revision by October 2015 in line with the revisions to the Codes of Good Practice which came into effect on 1 May 2015.

Should the Group fail to meet the performance measures of the scorecard and maintain a rating in line with its direct competitors, it may be unable to procure new business or may experience a loss of business or good standing with public and private sector clients, which, in turn, may negatively affect the Group's results of operations.

**The Group is exposed to the risk of fraud in connection with its administration business.**

The Group is vulnerable to internal and external fraud from a variety of sources such as employees, suppliers, intermediaries, customers and other third parties in connection with its investment administration business. Although the Group employs fraud detection processes to help monitor and combat fraud, the Group is at risk from customers who misrepresent their financial positions and from employees who act in a fraudulent manner. In addition, the Group is exposed to risks arising when employees fail to follow or circumvent procedures designed to prevent fraudulent activities. The occurrence of fraud in any aspect of the Group's business may negatively affect its reputation and brands as well as its financial standing, and may have a material adverse effect on its business, prospects, results of operations and financial position.

**Fluctuations in the value of the Rand could have a significant impact on the Group's business, financial condition and results of operations.**

The Group realises the majority of its revenues, and incurs the majority of its costs and expenses, in Rands. A portion of the assets the Group manages and administers is invested outside of South Africa and hence vulnerable to the fluctuations of the Rand against other currencies. Typically, institutional and retail clients invest up to 25% of their assets offshore. The Rand is an emerging markets currency and remains highly volatile. When the Rand is weak, the Group's reported profits are positively impacted due to translation effects. If the Rand were to strengthen, this could have a negative effect on the Group's results of operations.

**6.2 ERRORS AND OMISSIONS INSURANCE**

The most significant operational risk faced by the Group relates to claims for losses suffered by clients due to errors and omissions on the part of the Group or its employees or representatives. Such claims are likely to be related to the Group's administration activities.

The Group's errors and omissions risk is insured with Santam Limited with a limit of R300 million for each and every claim or loss in the annual aggregate, with one automatic renewal, and in excess of the aggregate deductible of R5 million which is self-insured.

The Group is generally seen by the insurance market as a good risk and has never had a claim under its insurance policy. The errors and omissions insurance is renewed annually with the help of independent insurance advisors.

**7. APPLICABLE LEGISLATION**

**7.1 APPLICABLE LEGISLATION**

**FAIS**

FAIS is the main legislation governing the provision of financial services, whether advice, intermediary services or both, in respect of a broad range of financial products to clients or prospective clients in South Africa. The primary requirement is that all individuals or entities desiring to provide financial services must be registered as FSPs with the FSB.

FAIS consists of the main body of the Act and subordinate legislation which includes formal codes of conduct. FAIS imposes numerous compliance requirements and obligations on FSPs. Non-compliance may result in the imposition of sanctions, penalties and/or license withdrawal.

The following entities within the Group are registered FSPs and as such are subject to FAIS:

- Sygnia Asset Management;
- Sygnia Financial Services;
- Sygnia Nominees RF;
- Sygnia Life;
- Sygnia Securities; and
- Sygnia Securities Nominees RF.

### **Solvency Assessment and Management ("SAM")**

The FSB announced its intention to adopt a new risk-based solvency regime for insurers in 2009. The regime is to be based largely on the European "Solvency II" directive (with changes, where necessary, to adapt to the South African environment). The SAM Framework is divided into three "pillars": (i) Pillar I sets out the capital adequacy requirements, based on the risk exposure of the insurer; (ii) Pillar II sets out the governance and risk management requirements that insurers need to comply with and (iii) Pillar III sets out the reporting and disclosure. SAM implementation has followed a phased approach, starting with a light parallel run in the second half of 2014, continuing with a comprehensive parallel run in 2015.

As the SAM Framework is being introduced, a Twin Peaks model for financial regulation is being implemented in South Africa. This will see the establishment of a Prudential Authority in the South African Reserve Bank, responsible for prudential supervision of banks, insurers and financial conglomerates, and a Financial Sector Conduct Authority responsible for market conduct supervision of financial institutions. The Twin Peaks framework will be given effect through the Financial Sector Regulation Act, once enacted ("FSR Bill"). The latest version of the FSR Bill was published in December 2014 and a revised Bill is currently being finalised for tabling in Parliament.

The SAM Framework specifically will be given effect through a new Insurance Act, once enacted, along with the publication of insurance prudential standards made under the Act. A draft Insurance Bill, 2015 was released for public consultation in April 2015, and a number of comments received are being considered and discussed with stakeholders. The fact that the Insurance Bill and the FSR Bill are being introduced into Parliament at the same time, has resulted in a reassessment of the legislative and implementation timelines.

The FSR Bill will likely be tabled in Parliament first, followed by the Insurance Bill. The expected effective date of Twin Peaks will be the first half of 2016 and the date of enactment of the Insurance Bill will be early 2016.

The later effective date of the Insurance Bill will mean that the SAM Framework will not become the statutory basis for assessing the financial soundness of insurers until after January 2016. This however will not impact insurers preparation for SAM implementation and the phased approach will continue for the first half of 2016 and insurers will be expected to be fully compliant with SAM reporting requirements as at the 2016 financial year-end.

### **Twin Peaks**

The Financial Sector Regulation Bill, 2013 was the first bill intended to give effect to the "Twin Peaks" model of financial regulation in South Africa. The implementation of the Twin Peaks reform is designed to be a two-phased process.

The first phase will result in the establishment of two regulators, being:

- the new Prudential Authority within SARB, which will be responsible for the safety and soundness of financial institutions carrying out dual-regulated activities, including insurers and banks; and
- the Market Conduct Authority, which will be responsible for protecting customers of financial firms and improving the way FSPs operate.

The first phase has little impact on the Group. The main aspect is the introduction of "mono-regulated" and "dual-regulated" institutions. "Mono-regulated" entities undertake activities that only give rise to market conduct regulation (e.g., entities that provide financial advisory and intermediary services and pension funds) whereas "dual-regulated" entities are those that undertake activities that give rise to both prudential and market conduct regulations (e.g., long- and short-term insurance providers).

In the second phase, the existing legislation will be gradually amended or replaced with laws that are more appropriately aligned with the Twin Peaks framework. The impact at this stage is unknown.

## **TCF**

The FSB announced its initial TCF framework in March 2011. Since then a number of further updates and clarifications have been issued. The TCF roadmap is linked to the intended introduction of the "Twin Peaks" regulatory model described above. TCF aims to introduce specific market conduct standards aimed at providing consumers within the financial services industry with substantial protections. Six explicit customer fairness outcomes have been defined:

Outcome 1: Customers are confident that they are dealing with firms where the fair treatment of customers is central to the firm culture.

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

Outcome 3: Customers are given clear information and are kept appropriately informed before, during and after the time of contracting.

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

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

Outcome 6: Customers do not face unreasonable post-sale barriers to change a product, switch a provider, submit a claim or submit a complaint.

Financial services companies are required to demonstrate that TCF is firmly embedded in the company's culture across all levels of the company and at all stages of the customer experience. Risks of unfair customer treatment need to be identified and managed and concrete improvements made to customer service and satisfaction. Companies will be required to have controls and measures in place in order to be able to provide evidence of the delivery on the six fairness outcomes.

The Group has since its inception always adhered to the principles which underlie the TCF Outcomes and the business has been structured in such a manner as to facilitate the delivery of all six Outcomes. Further tangible initiatives in this respect will be launched over time.

## **RDR**

In March 2015 the FSB released a draft RDR paper which focuses on redesigning the manner in which FSPs structure their operations, as well as the way in which they are remunerated.

An important aspect of the proposal is the shift from the dual model of independent financial planners and tied agents employed by FSPs, to one of three types of financial planners; independent financial planners, multi-tied financial planners and tied agents. Multi-tied financial planners will support a limited range of financial products and product providers, while independent financial planners will be required to demonstrate full market due diligence of all financial products and product providers. It is thus likely that most independent financial planners will opt to become multi-tied agents.

The draft RDR also proposes to eliminate a number of different remuneration models which have enabled FSPs to charge in excess of the agreed upon advisory fees. Many of these business practices will be eliminated or made more difficult to pursue.

As per the FSB's latest informal notifications, the RDR is expected to come into operation in 2017. Its impact on the Group is fairly limited as the Group does not have its own distribution force. Should it aim to build one, it will do so with the RDR framework in mind. The single clause in the draft RDR which affects Sygnia Financial Services has to do with the level of administration fees charged by LSPs for the administration of its own products versus third party unit trusts. The proposal is to equalise such administration fees. The effect on Sygnia Financial Services would be an increase in its administration fees. The Group will engage with the FSB in relevant forums to mitigate against this aspect of the RDR from coming into force in its current form.

## **FICA**

FICA is South Africa's primary anti-money laundering legislation which imposes certain monitoring and reporting obligations on all "accountable institutions" as listed in Schedule 1 of FICA. Accountable institutions are required to formally register as such with the Financial Intelligence Centre ("FIC"), to identify and verify the identity of their clients in the prescribed manner, to report certain transactions or business dealings to the FIC, and to keep records of client relationships and transactions in the prescribed manner and for the prescribed

period. In addition to the obligations imposed by FICA on accountable institutions, FICA further requires any person conducting or involved with the conduct of a business to report suspicious and unusual transactions to the FIC.

Strict penalties are prescribed under FICA for non-compliance with the FICA provisions. A number of entities within the Group are "accountable institutions" which comply with FICA, including Sygnia Life, Sygnia Financial Services, Sygnia Asset Management, Sygnia Collective Investments RF and Sygnia Securities.

### **Long-Term Insurance Act, 1998 ("LTIA")**

The LTIA regulates the long-term insurance industry in South Africa, including the requirement that all long-term insurers be formally registered with the FSB.

The LTIA strictly regulates the activities of, and the conduct of business by, registered long-term insurers. It subjects many of their actions and activities to the prior, formal approval of the Registrar of Long-Term Insurance and imposes extensive requirements and restrictions on long-term insurers, including in respect of capital adequacy and solvency, asset spread, borrowing and encumbrance, and investment.

Sygnia Life is bound by the provisions of the LTIA.

### **PFA**

In terms of South African law, all retirement funds (other than certain statutory or public service funds) must be registered under the PFA in order to acquire a juristic personality independent of their founders or participating employers and members. Only registered retirement funds may conduct retirement fund business in South Africa.

The PFA regulates the conduct of retirement fund business, the approval or removal of a retirement fund administrator by the pension funds regulator, the collection of retirement fund contributions, and the payment of benefits by a retirement fund and the reporting obligations of a retirement fund.

The Conditions for the Administration of Pension Funds, 2002, published in accordance with section 13B of the PFA, more specifically regulates the administration services and the agreements under which they are rendered. These conditions stipulate the content of an administration agreement, the terms for the termination of an administration agreement, the appointment of an administrator's auditors, the procurement of fidelity fund insurance by an administrator, management of administrators' trust accounts and the annual reporting obligations of an administrator.

The table below sets forth the details of the registered funds of the Group:

<b>Fund number</b>	<b>Fund name</b>	<b>Type of fund</b>
12/8/38101	Sygnia Retirement Annuity Fund	Private
12/8/38098	Sygnia Pension Preservation Fund	Private
12/8/38100	Sygnia Provident Preservation Fund	Private

The PFA prohibits the provision of administration services to retirement funds without a license issued by the Registrar of Pension Funds in terms of Section 13 of the PFA. The entity in the Group which renders administration services and has the relevant license is Sygnia Financial Services.

### **Financial Services Laws General Amendment Act ("FSLGA")**

The FSLGA became effective in South Africa on 28 February 2014, with Section 31, which amends the PFA by empowering the Registrar of Pension Funds to prescribe criteria for financial soundness, coming into effect on 29 August 2014.

FSLGA contains the following amendments relevant to the Group:

- If a board member becomes aware of any matter which may seriously impair the financial stability of a fund, the Registrar of Pension Funds must be informed in writing;
- New protections are created for whistle-blowing trustees, principal officers, administrators, valuers, other officers and employees of a fund;
- The Registrar of Pensions Funds will prescribe criteria that retirement funds and their administrators will need to abide by in their communication with members;
- The amendments make it possible for retirement funds to be placed under business rescue;

- The FSLGA confirms that a retirement fund is not allowed, without the approval of the Registrar of Pension Funds, to hold shares in any entity which results in the fund controlling that entity; and
- The FSLGA allows for reasonable expenses to be taken into account in determining the fund credit of the members, which is useful for preservation and beneficiary retirement funds, where there are no ongoing contributions from which expenses can be deducted.

### **Taxation Laws Amendment Act, 2014 ("TLAA")**

The TLAA, promulgated on 20 January 2015, gives effect to many of the tax proposals announced in the 2015 South African Budget Review.

#### **Retirement reforms**

The TLAA retirement reforms were due to take effect on 1 March 2015. Due to objections by labour, the implementation date has been pushed back to 1 March 2016. Certain compromises in respect of compulsory annuitisation are likely.

The TLAA retirement reforms will impact individuals, employers and retirement funds. Under the TLAA, individual members will receive a uniform tax deduction for their aggregate contributions regardless of whether the contribution is to a pension, provident or retirement annuity fund. Deductible contributions will be subject to an annual percentage limit and a monetary limit.

The amount of contributions tax deductible by an individual in a year of assessment will not be allowed to exceed the lesser of R350,000 or 27.5% of the greater of the individual's remuneration or taxable income (excluding retirement lump sums and severance).

The TLAA provides that the same mandatory annuitisation requirements that are currently applicable to pension funds and retirement annuity funds must also be applied to provident funds. More specifically, any person retiring from a provident fund or provident preservation fund will not be able to receive a lump sum upon retirement of more than one-third of their retirement interests. In other words, a mandatory compulsory annuity will be required for the remaining two-thirds of their retirement interests (pre-retirement interests remain free from any mandatory compulsory annuitisation). The vested rights of current provident fund members up to 1 March 2016 will be protected, as will full rights of provident fund members older than 55 years.

Due to the alignment of the mandatory annuitisation requirements between all retirement and preservation funds, the transfer of retirement savings to provident and provident preservation funds from other funds (to the extent that such transfer is allowed) will be free from tax in all instances.

The retirement reform initiative is of particular benefit to Sygnia Financial Services which markets Group retirement annuities. With the equalisation of tax treatment on contributions and compulsory annuitisation at retirement, Sygnia Financial Services' group retirement annuities offer a competitive alternative to traditional Umbrella Funds.

#### **Data protection**

Data protection and security will be regulated under POPI. POPI was signed by the President on 26 November 2013. Certain non-operative provisions of POPI came into effect on 11 April 2014 and relate in particular to the establishment of an Information Regulator (in accordance with the relevant provisions of POPI). The operative provisions of POPI will come into effect on a date to be set by the President.

POPI is a comprehensive privacy and data protection statute, which imposes obligations on all companies or "responsible parties" (as defined in POPI) which collect and hold personal information relating to individuals or "data subjects" (as defined in POPI) (including customers and employees) and in certain cases legal entities. It will accordingly apply to all South African members of the Group.

Under POPI, responsible parties and operators (who act on behalf of the responsible party in accordance with contractual arrangements) may process personal data, including collecting, storing, organising, using and disseminating such personal information, under certain conditions. Responsible parties and operators are required to adhere to various conditions, including but not limited to that personal information collected for a specific purpose may only be used for that purpose and related purposes, that personal information must be kept up-to-date, and that adequate security safeguards must be put in place by the responsible party and any operator who acts on its behalf. POPI imposes specific requirements in relation to the cross-border transfer of personal information, where personal information collected in South Africa is transferred out of the country to another data controller.

Non-compliance with an enforcement notice issued by the Information Regulator may expose the Group to penalties and is also a criminal offence.

## 7.2 B-BBEE

B-BBEE is a stated policy of the Government, which is aimed at increasing participation by previously disadvantaged South Africans in economic activities. The B-BBEE Act is the primary legislation through which this B-BBEE policy is implemented. In terms of the B-BBEE Act, B-BBEE consists of measures and initiatives that are aimed at increasing levels of equity ownership by black people in businesses operating in South Africa, increasing the number of black people who participate in management roles in business, improving the skills of black employees, assisting small and medium businesses that are majority-owned by black people, procuring goods and services from businesses that are good contributors to B-BBEE and corporate social investment.

Compliance with the B-BBEE Act by companies is measured on the basis of a scorecard and the scores achieved by businesses can then be compared. As such, B-BBEE is a commercial imperative for most businesses operating in South Africa, particularly those who deal with the public sector. The B-BBEE Act has been supplemented by a generic Codes of Good Practice, as well the industry-specific sector codes. The Codes set out the details of how B-BBEE scores are measured in respect of ownership, management control, skills development, enterprise and supplier development and socio-economic development. The revised version of the Codes, which makes significant changes to how a measured entity's B-BBEE status will be evaluated, was published in 2013 and came into effect on 30 April 2015. An adjusted Financial Services Code is only expected to be published in October 2015.

Although there is no legal obligation for a private enterprise to comply with the Codes, it is important for companies that wish to do business within the public sector to ensure that they score as high as possible in terms of their B-BBEE scorecard. Compliance with the Codes is thus more of a commercial imperative than a legal one.

The current Financial Sector Code was published in 2012. The Group's B-BBEE status will be measured under the aforesaid sector code.

Sygnia Asset Management's B-BBEE status was audited by Grant Thornton Verification Services Proprietary Limited, an accredited B-BBEE verification agency in South Africa, in October 2014 and it received a Level 2 contributor status level rating (where Level 1 is the highest score and Level 8 is the lowest score). Given current and anticipated changes to the Codes and Financial Sector Code going forward Sygnia Asset Management's B-BBEE compliance level is expected to fall by a few levels.

In addition to the B-BBEE Act, other legislation which imposes related requirements aimed at increasing participation by black people and which is applicable to the Group includes:

- The Preferential Procurement Policy Framework Act, 5 of 2000, which sets out the approach that must be taken by Government departments and agencies in taking B-BBEE into account when making procurement decisions; and
- The Employment Equity Act, 55 of 1998, which requires designated employers to submit employee equity plans to the Department of Labour and to act in accordance with those plans in their hiring activities.

## 7.3 CAPITAL ADEQUACY REQUIREMENTS

### Pension Funds Act

Sygnia Financial Services holds a section 13B administration license under the PFA. Section 13B of the PFA, Regulation 32 published thereunder and Schedule O require a Section 13B administrator to be audited in order to monitor the internal controls and records of the administrator. Paragraph 7 of Board Notice 24 of 2002 sets out the liquidity criteria for Section 13B administrators. It provides that an administrator shall at any time maintain liquid assets equal to or greater than 8/52 weeks of annual expenditure. Further, it provides that administrators shall maintain at all times current assets, which are at least sufficient to meet current liabilities.

### FAIS

Board Notice 106 regulates the financial soundness of FSPs. An FSP's assets must exceed its liabilities subject to any exemptions granted. In addition, different categories of FSPs are subject to different capital adequacy requirements. Sygnia Asset Management and Sygnia Life are registered as "Category II" and "Category IIA" FSPs and are required to maintain liquid assets equal to or greater than 13/52 weeks of annual expenditure at all times. Both Sygnia Life and Sygnia Securities are also registered as a "Category I" FSPs. Sygnia Financial Services is registered as a "Category I" and "Category III" FSP and is required to maintain liquid assets equal to or greater than 13/52 weeks of annual expenditure or R3 million at all times.

### **Long-Term Insurance Act, 1998**

Sygnia Life is registered as a long-term insurer in South Africa. Board Notice 14 of 2010 prescribes the minimum capital adequacy requirements of long-term insurers as the higher of:

- R10 million;
- an amount representing operating expenses, as defined and reported in the annual return last submitted to the Registrar, multiplied by 13 and divided by 52 or, if different, the number of weeks included in the reporting period; or
- an amount equal to 0.3% of its gross contingent liabilities under unmatured policies.

### **Collective Investment Schemes Control Act, 2002**

Sygnia Collective Investments RF is regulated under the Collective Investment Schemes Control Act, 2002 (Act 45 of 2002). According to Notice 91 of 2014 (which replaces Notice 2072 of 2003) the manager of a Collective Investment Scheme in securities must carry the following minimum capital:

- A basic capital which must be a sum equivalent to 13 weeks' annual fixed expenditure for the whole of the collective investment scheme business of a manager or such other amount as the register may determine in a particular; plus
- Seed capital of R1 million to be invested by the manager in each portfolio administered by the manager, provided that:
  - the prescribed amount may be withdrawn once the portfolio reaches a size of R50 million net asset value under management; and
  - the sum of R1 million is to be re-invested in the portfolio where the net asset value of the portfolio has been reduced to below R50 million for a continuous period of 6 months; plus
  - where the manager buys from and sells to investors participatory interest of its scheme for its own account, position risk capital of a sum equivalent to a percentage of the amount paid for participatory interest in a portfolio is determined as follows in respect of each type of portfolio:
    - Money market portfolio 10 per cent;
    - Income portfolio 15 per cent; and
    - All other portfolios 25 per cent.

### **JSE directives**

The capital requirement of Sygnia Securities is calculated according to the JSE directives. An equity member needs to hold enough Financial Resources to cover the following:

- Counterparty Risk;
- Fixed Expenditure Base Requirements; and
- Position Risk (Sygnia Securities currently does not own or plan to purchase any securities for its own account and therefore it is excluded from this requirement).

#### *Counterpart Risk Requirement ("CRR")*

- Where the CSDP of the client has committed to settling the transaction there is no CRR;
- Where the CSDP of the client has not committed to settling the transaction the CRR is as follows:
  - 0 to 2 days after trade: 2% of the greater of the aggregate value of uncommitted purchases or sale in each security on each client's account;
  - three days after trade: Nil (Note: Uncommitted transactions are subject to margins of T+3 and the margin in respect of non-controlled client trades is treated as an illiquid asset); and
  - four days after trade date and thereafter: 100% of the difference between the transaction value and the market value of the securities. In addition, position risk requirements shall be computed on the market value of the net of the unsettled purchase and sale transaction in each security on each client's account.

#### *Fixed expenditure base requirements*

The base requirement of a member is the higher of an amount determined in accordance with the directives as being adequate to meet a member's fixed expenditure for a period of 13 weeks or R400 000.

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## PART B: DIRECTORS AND SENIOR MANAGEMENT

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### 8. DIRECTORS AND SENIOR MANAGEMENT OF SYGNIA

#### 8.1 Directors

The full names, ages, qualifications, nationalities, business addresses and occupations of the Directors of Sygnia are set out below:

Directors	Business address	Occupation
<b>Executive</b>		
Magdalena Franciszka Wierzycka (45) BBusSc (Actuarial), PhDip (Actuarial), FFA, FASSA, CFP South African/Polish	7th Floor, The Foundry, Cardiff Street, Green Point, 8001	CEO
Niki Jane Giles (40) CA(SA), CFA, BBusSc (Finance) South African	7th Floor, The Foundry, Cardiff Street, Green Point, 8001	FD
<b>Non-executive</b>		
Haroon Ismail Bhorat (46) PhD (Economics), M.A (Economics), BA (Economics), BA HONS (Economics and History) South African	Room 3.32, School of Economics Building, Middle Campus, University of Cape Town	Non-executive Chairman
Kenneth Thomas Hopkins (60) CA(SA), B Com (Hons) South African	10 Avenue Lombardie, Constantia, Cape Town, 7806	Independent non- executive Director
Isiah Kaizer Moyane (43) BA, LLB South African	Edcon Place 12 – 16 Laub Street New Centre, Johannesburg	Independent non- executive Director
Shirley Anne Zinn (54) BA, HDip (Education), B.Ed Hons, M.Ed, Ed.M (Harvard), Ed.D (Harvard) South African	8 Amberfield, 50 West Road South, Morningside, Sandton	Lead independent non- executive Director

The brief *curricula vitae* of the Board are set out below:

#### **Executive Directors**

##### **Magdalena Franciszka Wierzycka (CEO)**

Magda qualified as a Fellow of the Faculty of Actuaries (Edinburgh) in 1994. She has over 20 years' experience in the South African asset management industry and has published widely in the field. She has also served as a board member of the Actuarial Society of South Africa.

She started her career as a product development and investments actuary at Southern Life in 1993, where she designed and managed index-tracking funds, followed by two years at Alexander Forbes as an investment consultant. In 1997 she joined Coronation Fund Managers as Head of Institutional Business and a director. While at Coronation she was responsible for growing the institutional assets under management of the company fivefold. Magda left Coronation in 2003 to start IQvest, a fund of hedge funds company. Later that year, after selling IQvest to the African Harvest group, she was appointed to the position of CEO of African Harvest. Under her stewardship the assets under management of the company grew from R10 billion in 2003 to R35 billion in 2006. After negotiating the sale of African Harvest Fund Managers to Cadiz Financial Services in 2006, she led the management buy-out of the remainder of the African Harvest group which resulted in the formation of Sygnia. Since 2006 she has headed Sygnia as its CEO.

### **Niki Jane Giles (FD)**

Niki is a Chartered Accountant and a Chartered Financial Analyst®. After completing her articles with Deloitte in Cape Town in 2000, Niki assumed the position of an assistant manager in Deloitte's London office. In 2002 she returned to Cape Town as a manager within Deloitte's Financial Institutions Services focus group (Cape Town audit practice), dealing exclusively with financial institutions. In her role she was responsible for managing audits of retirement funds, banks, asset management companies, collective investment schemes, insurance and re-insurance companies, hedge funds and private equity funds. In 2005 Niki joined the African Harvest group as CFO and a year later moved to Sygnia as its CFO. In 2009 she was promoted to the position of COO, managing the Finance, Legal and Administration divisions of the Company. She is the current FD of Sygnia.

### **Non-executive Directors**

#### **Haroon Ismail Borhat (Non-executive Chairman)**

Professor Haroon Borhat is Professor of Economics and Director of the Development Policy Research Unit at the University of Cape Town. He obtained a PhD in Economics from the University of Stellenbosch, studied at the Massachusetts Institute of Technology and was a Cornell University research fellow.

Haroon's research interests cover labour economics, poverty and income distribution. In this regard, he has undertaken extensive work for the South African Department of Labour, the Presidency and National Treasury. He is a director of the Western Cape Tourism, Trade and Investment Promotion Agency, a member of the Statistics Council, Statistics South Africa, and sits on the editorial board of the South African Journal of Economics. He has served on a number of Government research advisory panels and was an economic advisor to the former Minister of Finance, and former Presidents Thabo Mbeki and Kgalema Motlanthe, formally serving on the Presidential Economic Advisory Panel.

Haroon holds the National Research Chair under the theme of Economic Growth, Poverty and Inequality: Exploring the Interactions for South Africa. He is also a non-resident Senior Fellow at the Brookings Institution affiliated to the Global Economy and Development Program, and the Africa Growth Initiative and a Research Fellow at IZA, the Institute for the Study of Labour in Bonn. Haroon consults to international organisations such as the International Labour Organisation, the United Nations Development Programme, the World Bank and ratings agencies. He was a member of the United Nations Commission on Legal Empowerment of the Poor and Head of Research for the United Nations High-Level Panel on the Post-2015 Development Agenda. In 2015 Haroon was appointed as a member of the World Bank's Advisory Board of the Commission on Global Poverty.

#### **Kenneth Thomas Hopkins (Independent non-executive Director)**

Ken is a Chartered Accountant with over 30 years' combined experience as a partner at KPMG and Deloitte, specialising in auditing and advising financial institutions in South Africa. He held the position of Head of the Financial Services sector within the Deloitte Cape Town office, before joining KPMG as Head of KPMG South Africa Investment Funds and Head of ISAE3402 sectors. While at KPMG, Ken performed the function of the technical and regulatory expert on asset management firms, collective investment schemes and hedge funds. Ken retired from KPMG in 2015. He has been a member of the South African Institute of Chartered Accountants ("SAICA") Medical Scheme interest group and was KPMG's representative at The Association for Savings and Investment South Africa ("ASISA"). He is currently a serving member of SAICA Investment Funds and ASISA's Collective Investment Schemes interest groups.

#### **Isiah Kaizer Moyane (Independent non-executive Director)**

Kaizer is currently the Executive Manager: Employee Relations at the Edcon Group. He joined Edcon from the Sanlam Group, where he served for 10 years, first as Senior Specialist: Labour Relations and then as the group's Head of Labour Relations. Kaizer qualified as an Attorney of the High Court in 1998 while working for Bowman Gilfillan Inc. where he specialised in employment law.

Kaizer serves on the governing body of the Commission for Conciliation, Mediation and Arbitration ("CCMA") and the CCMA's Governance, Social and Ethics Committee. He is also the business convenor of the Labour Market Chamber in National Economic Development and Labour Council and chairman of the Social and Transformation Policy Standing Committee of Business Unity South Africa.

#### **Shirley Anne Zinn (Lead independent non-executive Director)**

Professor Shirley Zinn is the former Human Resources ("HR") director of Standard Bank South Africa and Deputy Global Head of HR for the Standard Bank Group. She left Standard Bank to set up Shirley Zinn Consulting, a company which provides consulting and advisory services in the fields of HR, transformation, leadership and education. Shirley is also a professor at the University of Pretoria's Department of HR Management and is the past President of the Institute for People Management South Africa.

After completing her Masters degree at Harvard University, Professor Zinn started her career in education, followed by management positions at Southern Life, the Department of Public Service and Administration and at Reckitt Benckiser. She subsequently joined the South African Revenue Service ("SARS") as General Manager for HR, before re-joining the private sector, becoming the Group Executive HR at Nedbank, followed by her executive positions at Standard Bank.

Professor Zinn is the chairman of DHL, and serves as a non-executive director on the boards of AdvTech Limited, Tuesday Consulting, Business Engage and the Boston Consulting Group. She is a trustee of the DHL Foundation, the Nedbank Eyethu Community Trust and Orbis Africa, and the chairman of Starfish Greathearts Foundation. She also serves on the advisory boards of Monash, the African Society for Talent Development and the University of Pretoria's Faculty of Economic and Management Sciences. She is the Vice-President of the Harvard Alumni Association in South Africa.

## 8.2 Directors of Major Subsidiaries and Senior Management

The full names, ages, qualifications, nationalities, business addresses and occupations of the directors of Major Subsidiaries and Senior Management are set out below:

### Major Subsidiaries

#### *Sygnia Asset Management*

Directors of Major Subsidiaries	Business address	Occupation
Magdalena Franciszka Wierzycka (45) BBusSc (Actuarial), PhDip (Actuarial), FFA, FASSA, CFP South African/Polish	7th Floor, The Foundry, Cardiff Street, Green Point, 8001	CEO of Sygnia
Niki Jane Giles (40) CA(SA), CFA, BBusSc (Finance) South African	7th Floor, The Foundry, Cardiff Street, Green Point, 8001	FD of Sygnia
Cher Leetjer (38) BTech (Marketing) South African	7th Floor, The Foundry, Cardiff Street, Green Point, 8001	Executive director/ Head: Marketing
Marlene Budge (47) BCom (Economics) Hons, International Capital Markets RPE South African	7th Floor, The Foundry, Cardiff Street, Green Point, 8001	Executive director/Co-head: Institutional Administration
Simon John Benedict Peile (53) BBusSc (Actuarial), FFA, FASSA, CFP South African/British	7th Floor, The Foundry, Cardiff Street, Green Point, 8001	Executive director/ Head: Investments
Sifiso John Mkhwanazi (41) CA(SA), BCom (Accounting), Bachelor Computer Sciences (Hons) South African	38 Noble Road, Berea, Durban	Non-executive director

*Sygnia Collective Investments RF*

<b>Directors of Major Subsidiaries</b>	<b>Business address</b>	<b>Occupation</b>
Magdalena Franciszka Wierzycka (45) BBusSc (Actuarial), PhDip (Actuarial), FFA, FASSA, CFP South African/Polish	7th Floor, The Foundry, Cardiff Street, Green Point, 8001	CEO of Sygnia
Niki Jane Giles (40) CA(SA), CFA, BBusSc (Finance) South African	7th Floor, The Foundry, Cardiff Street, Green Point, 8001	FD of Sygnia
Sifiso John Mkhwanazi (41) CA(SA), BCom (Accounting), Bachelor Computer Sciences (Hons) South African	38 Noble Road, Berea, Durban	Non-executive director
Haroon Ismail Bhorat (46) PhD (Economics), M.A (Economics), BA (Economics), BA Hons (Economics and History) South African	Room 3.32, School of Economics Building, Middle Campus, University of Cape Town	Non-executive director
Kenneth Thomas Hopkins (60) CA(SA), B Com (Hons) South African	10 Avenue Lombardie, Constantia, Cape Town, 7806	Non-executive director

*Sygnia Life*

<b>Directors of Major Subsidiaries</b>	<b>Business address</b>	<b>Occupation</b>
Magdalena Franciszka Wierzycka (45) BBusSc (Actuarial), PhDip (Actuarial), FFA, FASSA, CFP South African/Polish	7th Floor, The Foundry, Cardiff Street, Green Point, 8001	CEO of Sygnia
Simon John Benedict Peile (53) BBusSc (Actuarial), FFA, FASSA, CFP South African/British	7th Floor, The Foundry, Cardiff Street, Green Point, 8001	Executive director/ Head: Investments
Kenneth Thomas Hopkins (60) CA(SA), B Com (Hons) South African	10 Avenue Lombardie, Constantia, Cape Town, 7806	Non-executive director
Sifiso John Mkhwanazi (41) CA(SA), BCom (Accounting), Bachelor Computer Sciences (Hons) South African	38 Noble Road, Berea, Durban	Non-executive director
Haroon Ismail Bhorat (46) PhD (Economics), M.A (Economics), BA (Economics), BA Hons (Economics and History (South African)	Room 3.32, School of Economics Building, Middle Campus, University of Cape Town	Non-executive director
Isiah Kaizer Moyane (43) * BA, LLB South African	Edcon Place 12 – 16 Laub Street New Centre, Johannesburg	Independent non- executive director
Nadia Muller (34) LLB, CFP South African	7th Floor, The Foundry, Cardiff Street, Green Point, 8001	Executive director/ Compliance Officer

*\*Pending approval by the FSB*

The brief *curricula vitae* of the directors of Major Subsidiaries are set out below:

**Magdalena Franciszka Wierzycka**

(See – ‘Directors’ – ‘Executive Directors’ above)

**Niki Jane Giles**

(See – ‘Directors’ – ‘Executive Directors’ above)

**Cher Leetjer** (*Executive director/Head: Marketing*)

Cher holds a BTech (Marketing) degree from the Cape Peninsula University of Technology. Prior to joining Sygnia, Cher held a number of marketing positions within the financial services industry, including at Catalyst Property Asset Management and RisCura Consulting. She also co-founded Fizzee Studios, a design and marketing agency which focused on providing unique marketing solutions to the asset management industry. She left the company to become a Marketing Manager at Sygnia in 2009 before being promoted to a director in 2014 and Head: Marketing in 2015.

**Marlene Budge** (*Executive director/Co-Head: Institutional Administration*)

Marlene began her administration career at Old Mutual Investments (now Old Mutual Investment Group South Africa) in 1988. In 1994 she moved to London where she worked in a number of administration positions within the financial services industry, including at Jardine Matheson Investment Management, Invesco Asset Management, Royal Bank of Canada and Merrill Lynch. She returned to South Africa in 1997 and joined Coronation Fund Managers as a unit trust administrator and a year later became a founding member of FinSource (now Maitland Fund Services). While at FinSource she held a number of administration and project management positions. In 2004 Marlene moved from FinSource to the African Harvest group, where she was appointed as Head of Client Services: Pooled Portfolios, and subsequently Head: Unit Trust Administration. After the sale of African Harvest to Cadiz Financial Services, she joined Fifth Quadrant Actuaries and Consultants (now Towers Watson), where she was responsible for transition management. Marlene joined Sygnia in 2011, taking over as Co-Head: Institutional Administration in 2013 and becoming a director in 2014.

**Simon John Benedict Peile** (*Executive director/Head: Investments*)

Simon became a Fellow of the Faculty of Actuaries (Edinburgh) in 1987 and a member of the Actuarial Society of South Africa in 1992. Simon is one of the Founding Shareholders of Sygnia and a pioneer in introducing the concept of life-stage investing in South Africa. He has consulted retirement funds on issues related to benefit design and investments in South Africa, the United Kingdom and Australia. After returning to South Africa in 1992, Simon worked as an actuary at Southern Life, before joining Alexander Forbes where he was appointed Head of Retirement Fund Consulting, a position he held until he left in 2003 to start IQvest where he assumed the position of Head: Investments. Simon was part of the management buy-out of the African Harvest companies to form Sygnia and was instrumental in developing the Company’s methodology for advising institutional clients on their investment strategies.

**Sifiso John Mkhwanazi** (*Non-executive director*)

Sifiso completed his articles with PWC and qualified as a chartered accountant in 1998, while simultaneously studying for an Honours degree in Computer Science at UNISA. The same year he joined BoE Bank as a Corporate Structured Finance Consultant. He left BoE to assume the position of a director of Mawenzi Resources and Finance Company Proprietary Limited (“Mawenzi”), a diversified investment company. In 2006 he was appointed the Head of Group Finance Department at Metallon Corporation Limited (“Metallon”), Mawenzi’s subsidiary company involved in mining, financial services and private equity investments. In 2008 he became the financial director of Metallon. Sifiso joined the board of African Harvest Life (now Sygnia Life) in 2003.

**Haroon Ismail Bhorat** (*Non-executive director*)

(See – ‘Directors’ – ‘Non-executive directors’ above)

**Kenneth Thomas Hopkins** (*Non-executive director*)

(See – ‘Directors’ – ‘Non-executive directors’ above)

**Isiah Kaizer Moyane** (*Non-executive director*)

(See – ‘Directors’ – ‘Non-executive directors’ above)

### **Nadia Muller** (*Legal Manager/Compliance Officer*)

Nadia began her legal career at McIntyre & Van Der Post Attorneys where she worked for two years as an attorney and a conveyancer. Subsequently she worked as a trust and estate consultant and later an estate planner at Sanlam Trust, a fiduciary specialist at Standard Bank Executors and a specialist estate planner at Glacier Financial Solutions Proprietary Limited. In 2010 Nadia joined Old Mutual South Africa as a legal adviser. She moved to Sygnia in 2014, assuming the position of a Legal Manager and Compliance Officer.

## 8.3 Senior Management

<b>Senior Management</b>	<b>Business address</b>	<b>Occupation</b>
Willem van der Merwe (40) BSc (Actuarial), BComm (Hons in Financial Analysis and Portfolio Management), CFA, South African	7th Floor, The Foundry, Cardiff Street, Green Point, 8001	CEO: Sygnia Securities
David Ian Johnson (55) BBusSc (Actuarial) South African/British	7th Floor, The Foundry, Cardiff Street, Green Point, 8001	Company Secretary
Gavin John Stansfield (39) BA LLB, LLM, HDip-Co-Law, Cert-Pension Law South African	7th Floor, The Foundry, Cardiff Street, Green Point, 8001	Head: Legal
Charlene Fay Swartz (36) CA(SA), MCom (Accounting), BBusSc (Finance Honours), BCom (Accounting Honours) South African	7th Floor, The Foundry, Cardiff Street, Green Point, 8001	Head: Retail Investment Administration
Wojciech Adam Wierzycki (40) MCSE South African/Polish/British	7th Floor, The Foundry, Cardiff Street, Green Point, 8001	Head: IT

The brief *curricula vitae* of Senior Management are set out below:

### **Willem van der Merwe** (*CEO: Sygnia Securities*)

Willem is a Chartered Financial Analyst® and is one of the Founding Shareholders of Sygnia. Willem commenced his career at Coronation Fund Managers in 1998 where he became Head of Quantitative Analysis. In 2003 Willem left Coronation to start IQvest, a fund of hedge funds company, where he assumed the position of Co-Head: Investments. Following the sale of IQvest to the African Harvest group Willem continued in that role as it expanded to encompass Multi-Manager products. Willem was part of the management buy-out of the African Harvest companies to form Sygnia and was instrumental in developing the firm's investment philosophy and processes. In 2015 Willem was appointed to the position of CEO: Sygnia Securities.

### **David Ian Johnson** (*Company Secretary*)

Dave holds a BBusSc (Actuarial) degree and has over 30 years' experience in the South African financial services industry. Prior to joining Sygnia, Dave spent 10 years at Fifth Quadrant Actuaries and Consultants (now Towers Watson) where he was a Principal Consultant. He also spent two years as the Head of Customer Services at Momentum. Dave joined Momentum after 16 years at Southern Life where he was the Assistant General Manager for Life Marketing.

### **Gavin John Stansfield** (*Group Head: Legal*)

Gavin commenced his articles at Hofmeyr Herbstein and Gihwala Inc. (now Cliffe Dekker Hofmeyr Inc.) in 2000 where he practised in the firm's employment law department. He became a director of the company in 2006. Gavin joined Sygnia in 2015 as its Group Head: Legal.

**Charlene Fay Swartz** (*Head: Retail Investment Administration*)

Charlene completed her articles with Deloitte specialising in the financial services industry. She worked as a manager in the Deloitte Financial Institutions Services focus group Cape Town audit practice from 2005 to 2013. Charlene specialised in servicing the financial services industry, including insurance companies, asset management companies, collective investment schemes, hedge funds and retirement funds. Charlene joined Sygnia in 2013 to head up the retail administration division.

**Wojciech Adam Wierzycki** (*Group Head: IT and Systems Development*)

Wojciech is an Enterprise Infrastructure Architect and worked in the United Kingdom public sector for 14 years, most notably as the Technical Design Authority for the London 2012 Olympic Delivery Authority. In that role he was responsible for designing the network security architecture for the London 2012 Olympic Games. Prior to that he worked as a Senior Technical Architect for Computer Sciences Corporation, LogicaCMG and SERCO, as well as Transport for London, the Law Society and National Air Traffic Services. Wojciech joined Sygnia as Head: IT and Systems Development in 2013.

#### 8.4 Appointment and qualifications of the Directors and the Company Secretary

The relevant provisions of the Memorandum of Incorporation governing the appointment, qualification, remuneration, participation in decisions relating to their remuneration, terms of office, borrowing powers and procedure for appointment of the Directors are set out in Annexure 20 to this Pre-Listing Statement.

The Directors' borrowing powers have never been exceeded in any of the companies in the Group.

No right is held by any person relating to the appointment of any particular Director or number of Directors.

All the Directors have submitted duly completed Directors' declarations to the JSE in compliance with Schedule 13 of the Listings Requirements.

None of the Directors have:

- had any bankruptcy order made against him or her, been insolvent or entered into any voluntary compromise arrangements;
- been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or been involved in business rescue proceedings or issuance of notices in terms of section 129(7) of the Companies Act, or been subject to a voluntary arrangement or any compositional arrangement with its creditors generally or any class of its creditors whilst he or she was a director of that company or within the 12 months after he or she ceased to be a director of that company;
- been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement while he or she was a partner in that partnership or within the 12 months after he or she ceased to be a partner in that partnership;
- been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he or she was a partner in that partnership or within the 12 months after he or she ceased to be a partner in that partnership;
- been publicly criticised by any statutory or regulatory authority (including recognised professional bodies);
- any convictions or been removed from an office of trust, on the grounds of misconduct and involving dishonesty; and
- been declared by any court as delinquent or placing him/her under probation in terms of section 162 of the Companies Act and/or section 47 of the Close Corporations Act, 1984 (Act No.69 of 1984) or disqualifying him/her to act as a director in terms of Section 219 of the Companies Act.

The Company Secretary is David Ian Johnson (BBusSci (Actuarial)). Dave has over 30 years of experience in the financial services industry. At a meeting of the Board held on 17 August 2015, the Board assessed Dave's competence, qualifications, experience, suitability and performance during financial year 2015 and found him to be competent and suitably qualified to act as Company Secretary. Dave is not a Director of the Company, and the Board, having specifically considered the matter, is satisfied that an arm's length relationship is maintained between the Board and the Company Secretary, in accordance with the recommended practice of King III. The Company Secretary will be subjected to an annual evaluation by the Board, which can also remove him from office. All Directors have access to the advice and services of the Company Secretary to enable them to perform their duties and responsibilities and for the Board to function effectively. The Company Secretary fulfils the duties as set out in Section 88 of the Companies Act and is also responsible for compliance with the Listings Requirements.

## 8.5 Remuneration of the Directors

The total remuneration and benefits paid to the executive Directors for the year ended 30 September 2014 are set out below:

	Salary	Bonus	Total
Executive Director	R	R	R
Magdalena Franciszka Wierzycka	2 655 000	600 000	3 255 000
Niki Jane Giles	1 477 000	600 000	2 077 000
<b>Total</b>	<b>4 132 000</b>	<b>1 200 000</b>	<b>5 332 000</b>

The Company works on a 'cost-to-company' basis, and therefore there are no medical and retirement benefits provided for in addition to the above remuneration.

The total fees paid to the non-executive Directors for the year ended 30 September 2014 are set out below:

Non-executive Director	Fees R
Haroon Ismail Borhat	211 600
<b>Total</b>	<b>211 600</b>

The remuneration and benefits proposed to be paid by the Group to the Directors for the year ending 30 September 2015 are set out below:

### Executive Directors

Executive Director	Salary R	Bonus R	Total R
Magdalena Franciszka Wierzycka	3 000 000	900 000	3 900 000
Niki Jane Giles	1 700 000	800 000	2 500 000
<b>Total</b>	<b>4 700 000</b>	<b>1 700 000</b>	<b>6 400 000</b>

### Non-executive Directors

#### Haroon Ismail Borhat

- A proposed annual fee of R300,000.

#### Kenneth Thomas Hopkins

- A monthly retainer of R5,000;
- A quarterly fee of R35,000, payable on attendance of the required quarterly meetings of the boards and sub-committees, as is applicable; and
- An hourly rate of R1,500 payable for any work or meeting attendance in addition to the quarterly meetings.

#### Isiah Kaizer Moyane

- A monthly retainer of R5,000;
- A quarterly fee of R35,000, payable on attendance of the required quarterly meetings of the boards and sub-committees, as is applicable; and
- An hourly rate of R1,500 payable for any meeting attendance in addition to the Board meetings.

#### Shirley Anne Zinn

- A monthly retainer of R5,000;
- A quarterly fee of R40,000, payable on attendance of the required quarterly meetings of the boards and sub-committees, as is applicable; and
- An hourly rate of R1,500 payable for any work or meeting attendance in addition to the quarterly meetings.

The proposed fees payable to the non-executive Directors are immaterial in relation to their respective total annual earnings from other sources and thus will not, in isolation, impact on their respective abilities to act as independent non-executive Directors.

None of the executive Directors earned fees for management, consulting, technical or other such fees paid for services rendered, directly or indirectly, including payments to management companies. No bonuses, performance related payments, sums paid by way of expense allowance or contributions paid under any pension scheme were paid to the executive Directors, other than as disclosed above. No commission, gain or profit sharing arrangements were entered into or paid to executive Directors other than disclosed above. The executive Directors received no other emoluments from Sygnia, any of its subsidiaries, associates or JVs, other than as disclosed above.

The remuneration of the executive and non-executive Directors of Sygnia will not be varied as a result of the Listing and the Memorandum of Incorporation does not provide for any power enabling the Directors to vote remuneration to themselves or any members of the Board. The remuneration of the Directors shall be determined by the Board on recommendation from the remuneration committee from time to time.

Save as disclosed above, no payments (in cash or otherwise) were made to, or have been agreed to be paid to, any Director of the Company or any company in which he/she is beneficially interested, directly or indirectly, or of which he/she is a director (the "associate company") or to any partnership, syndicate or other association of which he/she is a member (the "associate entity") either to induce him or her to become, or to qualify him/her as a Director of the Company or otherwise for the services rendered by him or her or by the associate company or the associate entity in connection with the promotion or formation of the Company during the preceding three years.

There are no commissions, gains or profit-sharing arrangements paid or accrued as paid to Directors. There are no fees paid or accrued as payable to third parties in lieu of Directors' fees.

#### 8.6 Other directorships held by Directors, directors of Major Subsidiaries and Senior Management

Annexure 17 to this Pre-Listing Statement sets out the names of all companies of which the Directors, directors of Major Subsidiaries and Senior Management are or have been directors in the past five years.

None of the Directors are partners with unlimited liability or founders as defined by the Listings Requirements.

#### 8.7 Directors' interests in Sygnia

As at 30 September 2014, and assuming that the Sygnia Life Acquisition had been implemented, the Directors, including their associates, held, directly or indirectly, the following beneficial interests in Sygnia Ordinary Shares:

Director	Direct beneficial	Indirect beneficial	Total	Percentage held (%)
<b>Executive Director</b>				
Magdalena Franciszka Wierzycka	–	178	178	88.6 <sup>2</sup>
Niki Jane Giles	2	–	2	1.2
Simon John Benedict Peile <sup>1</sup>	–	178	178	88.6 <sup>2</sup>
<b>Non-executive Director</b>				
Haroon Ismail Bhorat	–	–	–	–
Kenneth Thomas Hopkins	–	–	–	–
Isiah Kaizer Moyane	–	–	–	–
Shirley Anne Zinn	–	–	–	–

Notes:

1. Resigned as a Director effective 11 June 2015.
2. The above percentages have been calculated in accordance with the Listings Requirements which state that direct and indirect beneficial interests include that of any associates. An associate is defined so as to include an individual's immediate family, and thus in this case Magda Wierzycka, Simon Peile, and the Zatoka Trust are all associates of each other.

The following changes took place in the issued share capital of Sygnia post 30 September 2014:

- On 23 March 2015, the 200 issued Ordinary Shares in Sygnia were sub-divided into 60 million Ordinary Shares;
- On 23 March 2015, 40 million Ordinary Shares were issued to Sygnia Investment Holdings as consideration for the Sygnia Life Acquisition (on 7 August 2015, Sygnia Investment Holdings distributed its 40 million Ordinary Shares in Sygnia to its shareholders, being Magda Wierzycka and Simon Peile); and
- On 1 October 2015, Ulundi Holdings will, as part of the Ulundi Settlement, exchange its remaining 17.35% shareholding in Sygnia Asset Management for 8,933,166 Ordinary Shares in Sygnia.

As at the Last Practicable Date, before the Private Placing, and assuming the Ulundi Settlement has taken place, the Directors, including their associates, held, directly or indirectly, the following beneficial interests in Sygnia Ordinary Shares:

Director	Direct beneficial	Indirect beneficial	Total	Percentage held (%)
<b>Executive Director</b>				
Magdalena Franciszka Wierzycka	20 000 000	72 145 574	92 145 574	84.59 <sup>2</sup>
Niki Jane Giles	1 200 000	87 545	1 287 545	1.18
Simon John Benedict Peile <sup>1</sup>	20 000 000	72 145 574	92 145 574	84.59 <sup>2</sup>
<b>Non-executive Director</b>				
Haroon Ismail Borhat	–	1 093 420 <sup>3</sup>	1 093 420	1.00
Kenneth Thomas Hopkins	–	–	–	–
Isiah Kaizer Moyane	–	–	–	–
Shirley Anne Zinn	–	–	–	–

Notes:

1. Resigned as a Director effective 11 June 2015.
2. The above percentages have been calculated in accordance with the Listings Requirements which state that direct and indirect beneficial interests include that of any associates. An associate is defined so as to include an individual's immediate family, and thus in this case Magda Wierzycka, Simon Peile, and the Zatoka Trust are all associates of each other.
3. The indirect beneficial interest held by Professor Haroon Borhat is as a result of him being a beneficiary of the Ulundi Staff Trust (which holds a 51% interest in Ulundi Holdings). It is anticipated that this will occur on or, as soon as possible, after 1 October 2015.

Pursuant to the Private Placing, the Directors, including their associates, will, directly or indirectly, hold the following beneficial interests in Sygnia Ordinary Shares:

Director	Direct beneficial	Indirect beneficial	Total	Percentage held (%)
<b>Executive Director</b>				
Magdalena Franciszka Wierzycka	20 000 000	69 165 574	89 165 574	65.00 <sup>2</sup>
Niki Jane Giles	1 200 000	87 545	1 287 545	0.94
Simon John Benedict Peile <sup>1</sup>	20 000 000	69 165 574	89 165 574	65.00 <sup>2</sup>
<b>Non-executive Director</b>				
Haroon Ismail Borhat	–	1 093 420 <sup>3</sup>	1 093 420	0.79
Kenneth Thomas Hopkins	–	–	–	–
Isiah Kaizer Moyane	–	–	–	–
Shirley Anne Zinn	–	–	–	–

Notes:

1. Resigned as a Director effective 11 June 2015.
2. The above percentages have been calculated in accordance with the Listings Requirements which state that direct and indirect beneficial interests include that of any associates. An associate is defined so as to include an individual's immediate family, and thus in this case Magda Wierzycka, Simon Peile, and the Zatoka Trust are all associates of each other.
3. The indirect beneficial interest held by Professor Haroon Borhat is as a result of him being a beneficiary of the Ulundi Staff Trust (which holds a 51% interest in Ulundi Holdings). It is anticipated that this will occur on or, as soon as possible, after 1 October 2015.

On 10 September 2015, the Board resolved to make an offer, in terms of the ESOP, to Niki Giles and the Company Secretary to acquire 178,571 Ordinary Shares and 119,048 Ordinary Shares, respectively.

As at the Last Practicable Date, none of the other Directors had been granted any share options or any other right which has the same or similar effect in respect of providing a right to subscribe for Ordinary Shares.

Save as disclosed above, no other Directors have resigned during the last 18 months.

#### **8.8 Directors' interests in transactions**

There were no material beneficial interests, directly or indirectly, of the Directors in transactions that were effected in Sygnia during the current or immediately preceding financial year or any earlier financial year and remain outstanding or unperformed, save for the Sygnia Life Acquisition and the Ulundi Settlement.

#### **8.9 Directors' service agreements and term of office**

##### **Executive Directors**

The terms and conditions regulating the provision of services by the Company's executive Directors are set out in written service agreements, accepted by each executive Director. In terms of their service agreements, each of the executive Directors is appointed on an indefinite basis with an agreed retirement age of 60 years. The service agreements contain standard provisions in respect of confidentiality including the prohibition of retaining, utilising or disseminating Company confidential information post the termination of a Director's appointment or office. The executive Directors are not subject to any post-termination obligations in respect of restraint of trade. The remuneration of each executive Director is disclosed in paragraph 8.5 of this Pre-Listing Statement. There are no provisions contained in the service agreements which are extraordinary for service agreements of this nature.

##### **Non-executive Directors**

The continuation of non-executive Director's contracts of appointment is contingent on satisfactory performance and re-election at annual general meetings. One third of the Directors retire by rotation at each annual general meeting who, being eligible, may make themselves available for election. The election of new Directors, if any, as proposed in terms of the provisions of the Memorandum of Incorporation, is ratified at each annual general meeting.

There is currently no right held by any person or entity relating to the appointment of any particular Director or number of Directors.

#### **8.10 Loans granted to the Directors**

As at the Last Practicable Date, loans had been made by the Group to or for the benefit of Beret Properties, Widok Properties and Ulundi Holdings, companies in which Magda Wierzycka, Simon Peile and Niki Giles are beneficially interested as a result of their direct or indirect shareholdings. Details of these loans receivable are set out in Annexure 18 to this Pre-Listing Statement.

Other than as indicated above, no loans have been made nor has any security been furnished by Sygnia to or for the benefit of any Director or associate of any Director.

#### **8.11 Sums paid to Directors**

No sums have been paid, or are agreed to be paid, to any Director in the three years preceding this Pre-Listing Statement to induce him or her to become or qualify him or her as a Director.

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## PART C: FINANCIAL INFORMATION

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### 9. FINANCIAL INFORMATION

#### 9.1 Historical Financial Information

As detailed in paragraph 1.2 of this Pre-Listing Statement (titled 'Incorporation and History'), the Group originally comprised of two holding companies, namely, Sygnia Investment Holdings and Sygnia Investment Holdings No 2. Sygnia Investment Holdings held a 100% interest in Sygnia Life and Sygnia Investment Holdings No 2 held the other subsidiaries. With effect from 1 October 2014, Sygnia Investment Holdings sold Sygnia Life to Sygnia Investment Holdings No 2 to create one group through a common control transaction.

The Report of Historical Financial Information of Sygnia Investment Holdings No 2 and Sygnia Life for the three years ended 30 September 2014, 2013 and 2012, together with the relevant Reporting Accountant's Reports thereon are set out in Annexures 1 to 4 to this Pre-Listing Statement.

In order to reflect financial information for the Group, had it been one entity, for the year ended and as at 30 September 2014, this Pre-Listing Statement contains a special purpose statement, defined as 2014 Special Purpose Financial Statements, comprising of the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, accounting policies and other explanatory related special purpose notes of the Group for the year ended 30 September 2014, together with the relevant Reporting Accountant's Report thereon, set out in Annexures 5 and 6, respectively.

#### 9.2 Interim Historical Financial Information

The Report of Interim Historical Financial Information for the six months ended 31 March 2015 and the six months ended 31 March 2014, together with the relevant Reporting Accountant's Reports thereon are set out in Annexures 7, 8 and 9 to this Pre-Listing Statement.

#### 9.3 Profit Estimate and Profit Forecast

The Profit Estimate for the four months ended 31 July 2015 and the Profit Forecast for the two months ending 30 September 2015, together with the relevant Reporting Accountant's Reports thereon are set out in Annexures 10, 11 and 12 to this Pre-Listing Statement.

#### 9.4 Pro Forma Financial Information

The *Pro Forma* Financial Information, together with the relevant Reporting Accountant's Report thereon is set out in Annexures 13 and 14 to this Pre-Listing Statement.

The *Pro Forma* Financial Information is included for the purpose of illustrating the effect of the Ulundi Settlement and the Private Placing on Sygnia. The Ulundi Settlement is the share-for-share exchange, which will take place on 1 October 2015, in terms of which (i) Sygnia Asset Management will repurchase a portion of its shares held by Ulundi Holdings for a purchase consideration of R14,293,065 less related debt and (ii) Ulundi Holdings will exchange its remaining 17.35% shareholding in Sygnia Asset Management for 8,933,166 Ordinary Shares in Sygnia. Sygnia Asset Management's principal business is to provide investment management related services. In terms of the Listings Requirements the following disclosure is made with regards to Sygnia Asset Management:

	2014	2013	2012
	R	R	R
Profit/(loss) before tax	31 542 432	(7 212 373)	21 623 412
Profit/(loss) after tax	22 708 481	(14 381 537)	15 778 107

## 9.5 Intended application of the proceeds from the Private Placing

The net proceeds from the Offer for Subscription are estimated to be R232,506,606 after deducting the estimated Private Placing and Listing expenses of R4,750,000. These net proceeds will be used to increase the Group's regulatory capital holdings, pursue systems development strategies, actively market Sygnia's brand and the profile of index-tracking, general research and development expenditure, augment distribution channels and facilitate geographic expansion.

## 9.6 Contingent liabilities, capital expenditure commitments and lease payments

### 9.6.1 Contingent liabilities

Zamek Management, as the general partner in the Sygnia Absolute LLP, Sygnia All Star LLP, Sygnia Signature LLP and Sygnia All Star Institutional LLP, is solely liable to the creditors of the partnerships and solely liable for all debts of the partnerships. These partnerships will be wound up by 30 September 2015. This contingent liability is an open liability as it varies according to the risk and size of the fund of hedge fund structure. The only risk for the Group would be the NAV of Zamek Management, being an amount of R3,426 as at 30 September 2014.

### 9.6.2 Capital commitments

Sygnia had no capital expenditure commitments at 30 September 2014. Sygnia Life had the following capital commitments at 30 September 2014:

Capital commitments contracted but not provided for in the financial statements are as follows:

	2014	2013	2012
	R	R	R
Purchase of a sectional title unit	5 120 000	–	–

On 17 September 2014, Sygnia Life entered into an agreement to purchase an investment property for a consideration of R5,120,000. As at 30 September 2014, Sygnia Life has paid a deposit of R200,000 representing 4% of the purchase consideration of the said property. Settlement of the balance outstanding is pending fulfilment of certain suspensive conditions including the transfer of the sectional title unit (from date of signature of the agreement Sygnia had 21 Business Days to supply the transfer attorneys with a guarantee from the bank or pay the remaining purchase price).

### 9.6.3 Lease payments

The Group has leased Floors 6 and 7, The Foundry from Widok Properties for a period of five years effective from 1 March 2015. Rentals have an annual increase of 7.5% over the lease period. The current lease payment for rentals and operating costs amounts to R318,930 per month.

Future lease payments at 31 March 2015

	Up to 1 year	2 – 5 years	Total
	R	R	R
Actual lease payments	3 851 080	18 059 632	21 910 712
Straight line lease expenses	(4 445 928)	(17 413 219)	(21 859 147)
Deferred operating lease cash flows	(594 848)	646 413	51 565

The Group has leased Floor 5, The Foundry from Beret Properties for a period of five years effective from 1 February 2015. Rentals have an annual increase of 7.5% over the lease period. The current lease payment for rentals and operating costs amounts to R146,150 per month.

Future lease payments at 31 March 2015

	Up to 1 year R	2 – 5 years R	Total R
Actual lease payments	1 775 723	8 118 734	9 894 457
Straight line lease expenses	(2 037 351)	(7 809 846)	(9 847 197)
Deferred operating lease cash flows	(261 628)	308 888	47 260

The Group has leased a portion of the 2nd Floor of Newport House in Cape Town from Beret Properties for a period of five years effective from 1 March 2015. Rentals have an annual increase of 7.5% over the lease period. The current lease payment for rentals and operating costs amounts to R93,419 (2013: R88,726 and 2012: R Nil) per month.

Future lease payments at 31 March 2015

	Up to 1 year R	2 – 5 years R	Total R
Actual lease payments	1 128 031	5 289 897	6 417 928
Straight line lease expenses	(1 302 269)	(5 100 555)	(6 402 824)
Deferred operating lease cash flows	(174 238)	189 342	15 104

The Group has leased Unit 40 in the Katherine and West Building situated on Erf 16 Sandown, Johannesburg from Beret Properties for a period of five years effective from 1 March 2014. Rentals are fixed for a sixty month period with no increase over the lease period. The current lease payment for rentals and operating costs amounts to R304,143 per month.

Future lease payments at 31 March 2015

	Up to 1 year R	2 – 5 years R	Total R
Actual lease payments	3 649 716	10 645 005	14 294 721
Straight line lease expenses	(3 649 716)	(10 645 005)	(14 294 721)
Deferred operating lease cash flows	–	–	–

#### 9.7 Material borrowings and loans receivable

There are no material borrowings for Sygnia as at 31 March 2015. Borrowing powers of Directors are subject to the restrictions of the Memorandum of Incorporation of which an extract is set out in Annexure 20 to this Pre-Listing Statement. Borrowing powers of Directors have not been exceeded in the three years prior to this Pre-Listing Statement. There are no exchange control restrictions on the borrowing powers of Sygnia or any of its subsidiaries. Sygnia does not have any debentures currently in issue.

There are no material loans receivable by Sygnia and its subsidiaries as at 31 March 2015, save for the loans to Directors set out in Annexure 18 to this Pre-Listing Statement.

No loan capital is outstanding.

Details of Sygnia's inter-company loans as at 31 March 2015 are set out in Annexure 18 to this Pre-Listing Statement.

#### 9.8 Working capital statement

The Directors are of the opinion that the working capital available to Sygnia and its subsidiaries is sufficient for the Group's present requirements, that is, for at least the next 12 months from the date of issue of this Pre-Listing Statement.

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## PART D: SHARE CAPITAL

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### 10. SHARE CAPITAL

#### 10.1 Share capital

Details of Sygnia's share capital before and after the Private Placing are set out below.

	R
<b>Before the Private Placing</b>	
<b>Authorised</b>	
500 000 000 Ordinary Shares of no par value	–
<b>Issued</b>	
108 933 166 Ordinary Shares of no par value	272 858 029
<b>Total</b>	<b>272 858 029</b>
<b>After the Private Placing</b>	
<b>Authorised</b>	
500 000 000 Ordinary Shares of no par value	–
137 178 000 Ordinary Shares of no par value	507 076 635
<b>Total</b>	<b>507 076 635</b>

**Notes:**

1. The table above assumes that the issue of 8,933,166 Ordinary Shares, to be issued in terms of the Ulundi Settlement on 1 October 2015, has taken place.
2. The table above assumes that that the maximum subscription in terms of the Private Placing, being up to 28,244,834 Sygnia Ordinary Shares, is effected and a total of R237,256,606 is raised.
3. No Ordinary Shares are held in treasury as at the Last Practicable Date and there will be no Ordinary Shares held in treasury at the Listing Date.

All authorised and issued Sygnia Ordinary Shares, including those to be issued as part of the Private Placing, will be of the same class and will rank *pari passu* in every respect. The entire issued share capital of Sygnia will be listed on the JSE.

"*Pari passu*" is understood to mean that the Sygnia Ordinary Shares:

- are in all respects identical;
- are of the same nominal value, and that the same amount per share has been paid up;
- carry the same rights as to unrestricted transfer, attendance and voting at general/annual general meetings and in all other respects; and
- are entitled to dividends at the same rate and for the same period, so that at the next ensuing distribution the dividend payable on each Share will be the same amount.

The Ordinary Shares are to be listed on the JSE in terms of resolutions passed by the Directors on 10 September 2015.

Unissued equity securities shall be offered to existing Ordinary Shareholders *pro rata* to their shareholding unless issued for the acquisition of assets. The Ordinary Shareholders in a general meeting may authorise the Directors to issue unissued securities and/or grant options to subscribe for unissued securities as the Directors in their discretion deem fit, provided that such transaction(s) has/have been approved by the JSE. The authorised but unissued Sygnia Ordinary Shares are under the control of the Directors until the next Company annual general meeting which is expected to take place in February 2016.

Other than the Sygnia Ordinary Shares which are expected to be listed on the JSE, no securities have been issued by Sygnia nor listed on any other stock exchange.

At a general meeting of Shareholders held on 11 September 2015, Shareholders passed the following resolutions:

- a general authority to repurchase Ordinary Shares:
  - it was resolved that the Company and/or any subsidiary of the Company be and is hereby authorised, by way of a general authority, to acquire Ordinary Shares in the capital of the Company upon such terms and conditions and in such amounts as the Directors may from time to time determine in terms of and subject to:
    - sections 4, 46 and 48 of the Companies Act;
    - the Listings Requirements, being, as at the date of this special resolution, that:
      - any repurchase of Ordinary Shares shall be effected through the order book operated by the JSE trading system, and done without any prior understanding or arrangement between the Company and/or the relevant subsidiary and the counterparty (reported trades are prohibited);
      - the general repurchase by the Company, and by its subsidiaries, of the Company's Ordinary Shares is authorised by its Memorandum of Incorporation;
      - this general authority shall be valid until the Company's next annual general meeting provided that it shall not exceed beyond 15 (fifteen) months from the date of passing of this special resolution;
      - repurchases must not be made at a price greater than 10% (ten percent) above the weighted average of the market value of the Ordinary Shares for the 5 (five) Business Days immediately preceding the date on which the transaction is effected and the JSE should be consulted for a ruling if the Company's securities have not traded in such 5 (five) Business Day period;
      - repurchases of Ordinary Shares in aggregate in any one financial year may not exceed 20% (or 10% where the repurchase is effected by a subsidiary) of the Company's issued Ordinary Share capital as at the date of passing this special resolution;
      - at any point in time the Company may only appoint one agent to effect any repurchase(s) on the Company's behalf or on behalf of any subsidiary of the Company;
      - the passing of a resolution by the Board authorising the repurchase, that the Company and its subsidiary/ies have passed the solvency and liquidity test and that since the test was done there have been no material changes to the financial position of the Group;
      - subject to the exceptions contained in the Listings Requirements, the Company and its subsidiaries will not repurchase Ordinary Shares during a prohibited period (as defined in the Listings Requirements) unless they have in place a repurchase programme where the dates and quantities of Ordinary Shares to be traded during the relevant period are fixed (not subject to any variation) and has been submitted to the JSE in writing prior to the commencement of the prohibited period. The Company or any of the subsidiaries of the Company must instruct an independent third party, which makes its investment decisions in relation to the Company's securities independently of, and uninfluenced by, the Company or any of its subsidiaries, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE; and
      - an announcement complying with paragraph 11.27 of the Listings Requirements will be published by the Company or its subsidiary (i) when the Company and/or its subsidiaries have cumulatively repurchased 3% of the Ordinary Shares in issue as at the date of the listing of the Ordinary Shares in the Company on the JSE ("Initial Number") and (ii) for each 3% in the aggregate of the Initial Number of the Ordinary Shares acquired thereafter by the Company and/or its subsidiaries which announcement shall contain full details of such repurchases.
  - In accordance with the Listings Requirements the Directors record that although there is no immediate intention to effect a repurchase of the Ordinary Shares of the Company, the Directors will utilise this general authority to repurchase Ordinary Shares as and when suitable opportunities present themselves, which opportunities may require expeditious and immediate action.
  - The Directors, after considering the effect of the maximum repurchase, are of the opinion that for a period of 12 months after the passing of this special resolution:
    - the Company and the Group will, in the ordinary course of business, be able to pay its debts;
    - the assets of the Company and the Group will be in excess of the liabilities of the Company and the Group. For this purpose, the assets and liabilities have been recognised and measured in accordance with the accounting policies used in the latest audited annual Group financial statements;
    - the share capital and reserves of the Company and the Group will be adequate for ordinary business purposes; and
    - the working capital of the Company and the Group will be adequate for ordinary business purposes; and

- a general authority to issue Ordinary Shares for cash:
  - it was resolved that the Directors of the Company be and are hereby authorised, once the Listing has taken place (and without hereby limiting those authorities which they may already have during the period up to Listing) by way of a general authority, to allot and issue Ordinary Shares in the capital of the Company for cash, including within the scope of such authority the ability to issue options and securities (including any convertible preference shares in the authorised share capital of the Company) that are convertible into Ordinary Shares, subject to the limitation set out in the Memorandum of Incorporation of the Company and the provisions of the Companies Act and the Listings Requirements from time to time on the following basis:
    - the Ordinary Shares which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such Ordinary Shares or rights that are convertible into a class of Ordinary Shares already in issue;
    - there will be no restrictions in regard to the persons to whom the Ordinary Shares may be issued, provided that such shares are to be issued to public shareholders (as defined by the Listings Requirements) and not to related parties (as defined by the Listings Requirements);
    - the total aggregate number of Ordinary Shares which may be issued for cash in terms of this authority may not exceed 15,000,000 Ordinary Shares, constituting 15% of the aggregate number of Ordinary Shares in issue as at the date of notice of the general meeting;
    - in the event of sub-division or consolidation of Ordinary Shares prior to this authority lapsing, the existing authority shall be adjusted accordingly to represent the same allocation ratio;
    - the maximum discount at which the Ordinary Shares may be issued is 10% (ten percent) of the weighted average traded price of those Ordinary Shares over the 30 (thirty) Business Days prior to the date that the price of the issue is agreed between the Company and the party/ies subscribing for the Ordinary Shares. The JSE should be consulted for a ruling if the Company's securities have not traded in such 30 (thirty) Business Day period;
    - this authority shall not endure beyond the earlier of the next annual general meeting of the Company or beyond 15 (fifteen) months from the date of this ordinary resolution, whichever is shorter; and
    - upon any issue of Ordinary Shares which, together with prior issues of Ordinary Shares within the period that this authority is valid, constitute 5% (five percent) or more of the total number of Ordinary Shares in issue prior to that issue, the Company shall publish an announcement in terms of section 11.22 of the Listings Requirements, giving full details hereof, including (i) the number of Ordinary Shares issued, (ii) the average discount to the weighted average traded price of the Ordinary Shares over the 30 (thirty) Business Days prior to the date that the issue is agreed in writing between the Company and the party/ies subscribing for the Ordinary Shares, (iii) in respect of the issue of options and convertible securities, the effects of the issue on the statement of financial position, net asset value per Share, net tangible asset value per Share, the statement of comprehensive income, earnings per Share, headline earnings per Share and, if applicable, diluted earnings and headline earnings per Share, and (iv) an explanation including supporting information (if any) of the intended use of the funds.

## 10.2 Preferential or exchange rights, options, voting rights, rights to dividends and other rights

There are no preferential, conversion or exchange rights or options attaching to the Sygnia Ordinary Shares or the securities of its subsidiaries, save for the options that may be issued in terms of the ESOP, details of which are set out in paragraph 14 of this Pre-Listing Statement.

In accordance with the Memorandum of Incorporation of Sygnia, at a general meeting of the Shareholders every Shareholder present in person or by proxy (or, if a body corporate, duly represented by an authorised representative), shall have one vote on a show of hands, and on a poll every Shareholder present in person or by proxy shall be entitled to that proportion of the total votes in Sygnia which the aggregate amount of the number of Ordinary Shares held bears to the aggregate amount of the total number of all the Ordinary Shares issued by Sygnia. Accordingly, a Shareholder will have one vote for each Sygnia Ordinary Share of which that person is the registered holder. No special voting powers are reserved to any founder, Director or other person.

At meetings of Sygnia's Shareholders, every person present or represented by proxy shall have one vote for every Sygnia Ordinary Share.

Details of the rights pertaining to dividends and other rights including variation of rights and rights on winding-up are set out in Annexure 20 to this Pre-Listing Statement.

### 10.3 Alterations to share capital in the past three years

Sygnia was incorporated on 6 September 2007 with an authorised ordinary share capital of 1 000 Ordinary Shares of no par value and an issued share capital of 200 Ordinary Shares of no par value.

A summary of the issues of securities of the Group during the preceding three years is as follows:

Prices and terms of issue	Number of Ordinary Shares issued	Value	Issue date	Transactors
R125 000 per Share	60	R7 500 000	6 June 2013	Sygnia Life and Sygnia Investment Holdings
R3 391 239.76 per Share	25	R84 780 994	31 July 2013	Sygnia Asset Management and Ulundi Holdings
R6.75 per Share	40 000 000	R270 000 000	23 March 2015	Sygnia, Sygnia Investment Holdings and Sygnia Life

Securities issued were not issued to all securities holders in proportion to their holdings. A summary of who issues were made to and the reasons why securities were so issued is contained in the table above. The allotment of securities for each issue was based on the estimated market value of the Company concerned and the appetite of the respective applicant at the time of the respective issuance.

The premiums on issues were determined with reference to the estimated market value of the Company concerned and the appetite of the respective applicant at the time of the respective issuance. Premiums to par value were initially credited to the share premium or stated capital account, where applicable.

On the 16 March 2015 the number of authorised Ordinary Shares was increased to 500 million Ordinary Shares.

On the 23 March 2015 the issued Ordinary Shares in Sygnia were subdivided into 60 million Ordinary Shares.

On 1 October 2015 and in terms of the Ulundi Settlement:

- Sygnia Asset Management repurchased 4 of its shares held by Ulundi Holdings; and
- Sygnia, in terms of a share-for-share exchange, issued 8,933,166 Sygnia Ordinary Shares to Ulundi Holdings in exchange for 21 shares in Sygnia Asset Management.

Save as set out above, no Share repurchases, sub-divisions or consolidations have been undertaken by Sygnia during the three years preceding the date of this Pre-Listing Statement.

No offer has been made to the public for the subscription or the sale of Ordinary Shares or other securities in the Company during the three years preceding the Last Practicable Date.

### 10.4 Simultaneous issues

No other securities of the same class are issued or to be issued simultaneously with the issue of securities for which application to list all of the issued Sygnia Ordinary Shares is being made.

## 11. CONTROLLING SHAREHOLDERS

The controlling Shareholders of Sygnia before the Private Placing are Magda Wierzycka and Simon Peile (84.59%), and this will not change after the Private Placing (65.00%). Additionally, there has been no change in the controlling Shareholders of Sygnia during the previous five years.

Sygnia is the controlling shareholder of its subsidiaries as of their respective dates of becoming a subsidiary as set out in Annexure 18 to this Pre-Listing Statement.

## 12. MAJOR SHAREHOLDERS

At the Last Practicable Date, assuming the Ulundi Settlement has taken place, the following Shareholder, other than Directors, directly or indirectly beneficially held 5% or more of the issued share capital in the Company:

<b>Shareholder</b>	<b>Number of Ordinary Shares held directly</b>	<b>Number of Ordinary Shares held indirectly</b>	<b>Percentage shareholding</b>
Mobula Trust	7 800 000	569 043	7.68

After the Private Placing, the following Shareholder, other than Directors, will directly or indirectly beneficially hold 5% or more of the issued share capital in the Company:

<b>Shareholder</b>	<b>Number of Ordinary Shares held directly</b>	<b>Number of Ordinary Shares held indirectly</b>	<b>Percentage shareholding</b>
Mobula Trust	7 800 000	569 043	6.10

The Company will, on the day of Listing, have at least 20% of its issued Ordinary Shares held by the public, as defined by the Listings Requirements.

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## PART E: THE PRIVATE PLACING AND SALIENT DATES AND TIMES

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### 13. THE PRIVATE PLACING

#### 13.1 Particulars of the Private Placing

Sygnia intends to raise capital in the form of the Private Placing from Eligible Investors. Through the Private Placing, Sygnia will accept applications from Eligible Investors to subscribe for and purchase a maximum of 31,224,834 Placing Shares at the Private Placing Price of R8.40 per Ordinary Share of no par value totalling R262,286,606, which includes the placing of Ordinary Shares by the Selling Shareholder.

The Ordinary Shares to be issued in terms of the Private Placing will rank *pari passu* with the existing Ordinary Shares in issue, including eligibility for dividends, and have no convertibility or redemption provisions attached to them.

Fractions of Ordinary Shares will not be issued and the Company will round up or down to the nearest whole number of an Ordinary Share.

The Selling Shareholder, which holds 48.6% of the Sygnia Ordinary Shares in issue pre the Private Placing (assuming the Ulundi Settlement has taken place), intends selling a maximum of 2,980,000 Sygnia Ordinary Shares, representing 2.74% of the issued Ordinary Shares before the Private Placing. The Sale Shares total a maximum of R25,032,000 at the Private Placing Price.

Subscriptions in terms of the Private Placing are only permitted to be made for a minimum of R1 million per single addressee acting as principal, except for persons falling within one of the categories listed in section 96(1 (a) of the Companies Act.

Ordinary Shares subscribed for in terms of the Private Placing will be issued on the Listing Date upon receipt of the subscription amounts payable on that day.

The *pro forma* effects of the Private Placing on Sygnia's EPS, HEPS, NAV and NTAV are set out in Annexure 13 to this Pre-Listing Statement while the intended application of the proceeds from the Private Placing are set out in paragraph 9.5 of this Pre-Listing Statement.

The Private Placing has not been underwritten and the Offer for Subscription is conditional upon the minimum subscription being received that will fulfil the purpose of the Offer for Subscription and meet the Listings Requirements minimum 20% shareholding to be held by public shareholders, as defined by the Listings Requirements, on the day of Listing.

#### 13.2 Salient times and dates of the Private Placing and Listing

	<b>2015</b>
Abridged Pre-Listing Statement released on SENS	Thursday, 1 October
Abridged Pre-Listing Statement published in the South African press	Thursday, 1 October
Opening date of the Private Placing (09:00)	Thursday, 1 October
Closing date of the Private Placing (12:00)	Thursday, 8 October
Notification of allotments	Friday, 9 October
Results of the Private Placing released on SENS	Monday, 12 October
Results of the Private Placing published in the South African press	Monday, 12 October
Listing Date (09:00)	Wednesday, 14 October
Accounts at CSDP or broker updated and debited in respect of Dematerialised Shareholders	Wednesday, 14 October

**Notes:**

1. All dates and times shown in this Pre-Listing Statement are South African dates and times.
2. The above dates and times are subject to amendment. Any such amendment will be announced on SENS and published in the South African press.

### 13.3 Conditions precedent to the Private Placing and Listing

In the opinion of the Directors, a minimum amount of R225,501,653 comprising 26,488,292 Sygnia Ordinary Shares at the Private Placing Price, is required to be raised by the Private Placing in order to fund an increase in the Group's regulatory capital holdings, pursue systems development strategies, actively market Sygnia's brand and profile of index-tracking, general research and development expenditure, augment distribution channels, facilitate geographic expansion and ensure the Company has the public shareholding required by the Listings Requirements.

The Private Placing has not been underwritten and the Offer for Subscription is conditional upon the minimum subscription being received that will fulfil the purpose of the Listing and the Private Placing.

The Private Placing and Listing remain subject to a spread of shareholders acceptable to the JSE being attained. The Listings Requirements provide that, unless the JSE determines otherwise, public shareholders, as defined by the Listings Requirements, must hold a minimum of 20% of the Ordinary Shares on the day of Listing.

The Private Placing and Listing will not proceed if the JSE's shareholder spread requirements are not acceptable to the JSE, and any acceptance of the Private Placing will not take effect and no person will have any claim whatsoever against the Company, the Selling Shareholder or any other person as a result of the Private Placing not taking effect.

### 13.4 Over subscriptions

The maximum number of Ordinary Shares that can be subscribed for and acquired in terms of the Private Placing is 31,224,834 Ordinary Shares. In the event of an over subscription, Ordinary Shares will be allocated and issued at the discretion of the Directors. Factors to be considered by the Company in allocating Ordinary Shares include:

- whether the applicant is a client of the Group;
- achieving a spread of Shareholders that is acceptable to the JSE;
- promoting liquidity, tradability and an orderly after-market in the Ordinary Shares of the Company;
- the applicant's B-BBEE status; and
- the total amount applied for by respective applicants.

There is no preference on allotment to any particular company or group, save as set out above in the event of an over subscription.

### 13.5 Requisite approvals

The requisite regulatory approvals regarding the issue and Listing of the Ordinary Shares have been obtained.

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## PART F: GENERAL

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### 14. EMPLOYEE SHARE OPTION SCHEME

On 10 September 2015, the Board approved and adopted a resolution for the establishment of the ESOP.

The purpose of the ESOP is to attract, motivate, reward and retain persons who are able to influence the performance of the Group on a basis which aligns their interests with those of the Shareholders.

The salient terms of the ESOP are as follows:

- It has been established for the benefit of Directors, managers and/or other employees of any member company of the Group selected by the Board, on the recommendation of the CEO, in its sole and absolute discretion ("Participant") and/or other persons closely involved in the business of any member of the Group;
- The maximum number of Ordinary Shares which may be utilised for purposes of the ESOP are 5,000,000 and this number may not be exceeded without Shareholders' approval (requiring a 75% majority of the votes cast in favour of such resolution by all Shareholders present or represented by proxy at the general meeting to approve such resolution);
- The aggregate number of Ordinary Shares which may be acquired by any one Participant in terms of the ESOP is 1,000,000;
- The Board may resolve on a particular date ("Option Date") to make an offer to a Participant to acquire a certain number of Ordinary Shares ("Offer"):
  - at a 40% (forty percent) discount to the Private Placing Price, with respect to an Offer made on or before Listing;
  - at fair market value, being the volume weighted average price of the Ordinary Shares on the JSE over the last 30 trading days, with respect to an Offer made after the Listing, (collectively, the "Strike Price") at certain dates ("Minimum Date/s") ("Option"). The Board shall within 21 days of such resolution notify the Participant of the Offer. The Participant shall have 21 days to accept the Offer;
- No consideration is payable by the Participant on acceptance of the Offer and a Participant is not entitled to any dividends (or other distributions made) and shall have no right to vote until the Option is exercised and settled;
- The Options shall be exercisable as follows: 20% (twenty percent) shall be exercisable on the third anniversary of the Option Date, 30% (thirty percent) on the fourth anniversary of the Option Date and 50% (fifty percent) on the fifth anniversary of the Option Date ("Vesting Date(s)");
- All costs of and incidental to the implementation and administration of the ESOP properly incurred by Sygnia as agent for and on behalf of each Group company in order to give effect to the ESOP shall be funded by the Group. This includes, *inter alia*, the consideration for the Ordinary Shares (if any) acquired in terms of the ESOP, the costs incurred in the acquisition thereof, any administration or other expenses or administration fees, any duties payable upon the settlement of Ordinary Shares to the Participants (including without limitation issue duty, stamp duty, securities transfer tax), all secretarial, accounting, administrative, legal and financial advice and services, office accommodation and stationery, but excluding any present or future tax or other charge of any kind or nature whatsoever imposed, levied, collected, withheld or assessed by any competent authority, including all employees' tax, income tax, capital gains tax, VAT;
- If a Participant's employment or contract is terminated by reason of misconduct; poor performance; resignation by the Participant or failure by the Participant to remedy any material breach of any provision of their contract after being requested to do so by the employer company, all Options, whether vested or unvested, shall be forfeited and cancelled;
- If a Participant's employment or contract is terminated by reason of death; incapacity arising from injury, disability or ill-health, in each case as certified by a qualified medical practitioner nominated by the relevant employer company; dismissal based on operational requirements; retirement on or after his retirement date; contract expiring or coming to an end as a result of the effluxion of time; or the company by which the Participant is employed or contracted ceasing to be a member company of the Group, the Options shall be forfeited and cancelled. If after the Vesting Date, the Options shall become exercisable within five days after the date of termination of employment;
- On any takeover, amalgamation, merger or reconstruction of Sygnia, which results in a change of control as defined in the rules of the ESOP, the Board may take such action as they consider appropriate to place the Participants in an economic position which is not less favourable following the implementation of such action.

On 10 September 2015, the Board resolved to make an Offer to Participants to acquire 2,595,242 Ordinary Shares, with a grant date of 14 October 2015.

#### 15. **PROMOTERS, COMMISSIONS AND THIRD PARTY INTERESTS**

There were no payments made to promoters or to any partnership, syndicate or other association of which he or she is or was a member within the three years prior to the Last Practicable Date nor are there any amounts accrued as payable. There are no promoters' interests in the securities of Sygnia. There were no material beneficial interests, direct or indirect, paid to any Director in the promotion of Sygnia.

Except as disclosed in this Pre-Listing Statement, there are no other commissions, discounts, brokerages or other special terms granted during the three years preceding the date of this Pre-Listing Statement in connection with the issue or sale of any Sygnia Ordinary Shares.

No contracts or arrangements have been entered into with third parties in respect of managerial services.

#### 16. **DIVIDENDS AND OTHER DISTRIBUTIONS**

Following the Listing, the Board of Directors intends to declare a dividend on at least an annual basis. It is intended that the total dividend will be split between an interim dividend and a final dividend. The Group's dividend policy is set at a target range of 1.5x – 2.0x earnings cover.

There exists no time limit after which entitlement to dividends lapses, no fixed date on which entitlement to dividends arises and no arrangement under which future dividends are waived or agreed to be waived.

Relevant extracts of the Memorandum of Incorporation of Sygnia relating to dividends are set out in Annexure 20 to this Pre-Listing Statement.

#### 17. **MATERIAL CONTRACTS**

Details of material contracts entered into by Sygnia or any of its subsidiaries within the two years before the date of this Pre-Listing Statement, or at any time which contain an obligation or settlement that is material to Sygnia or its subsidiaries at the date of this Pre-Listing Statement, other than contracts entered into in the ordinary course of business, are set out in Annexure 15 to this Pre-Listing Statement.

#### 18. **MATERIAL ACQUISITIONS AND VENDORS**

Details of material acquisitions, within the last three years as at the date of this Pre-Listing Statement, including information relating to the vendors thereof are set out in Annexure 15 to this Pre-Listing Statement.

#### 19. **PRINCIPAL IMMOVABLE PROPERTIES**

Details of the principal immovable properties leased by Sygnia are set out in Annexure 19 to this Pre-Listing Statement.

No material property acquisitions or disposals have been concluded during the preceding three years, or are proposed to be acquired or disposed of by Sygnia.

#### 20. **GOVERNMENT PROTECTION AND INVESTMENT ENCOURAGEMENT LAW AND ROYALTIES**

The nature of the businesses in the Group does not attract any investment restrictions by way of any degree of Government protection or investment encouragement law. Further to this, no royalties are payable by the Group.

The Group's subsidiaries are regulated by various regulatory bodies, details of which are contained in paragraph 7 of this Pre-Listing Statement:

- Sygnia Asset Management: Category I, Category II and Category IIA license (FAIS);
- Sygnia Collective Investments RF: registered as a Management Company under the Collective Investment Schemes Control Act, 2002;
- Sygnia Financial Services: Category III license (FAIS) and 13B PFA license;
- Sygnia Life: Category I and Category II license (FAIS) and long-term insurance license (LTIA); and
- Sygnia Securities: Category I license (FAIS) and an authorised member of the JSE (controlled and non-controlled clients).

## 21. CORPORATE GOVERNANCE

The Directors endorse and accept full responsibility for the application of the principles necessary to ensure that effective corporate governance is practiced consistently throughout Sygnia. In discharging this responsibility, the intention is to comply with the requirements of King III in both letter and spirit.

Extracts of the corporate governance policies adopted by Sygnia are set out in Annexure 21 to this Pre-Listing Statement.

## 22. LITIGATION STATEMENT

As at the Last Practicable Date, there were no material legal or arbitration proceedings (including proceedings which are pending or threatened of which the Directors are aware), which may have or have had during the 12 months preceding the date of this Pre-Listing Statement, a material effect on the Group's financial position.

## 23. MATERIAL CHANGES

Save for the Sygnia Life Acquisition, there has not been any material change in the financial or trading position of the Group that has occurred since the end of the last financial period for which audited annual financial statements have been published nor any material change in its business nor any material fact or circumstance that has occurred between the end of the latest financial year of Sygnia and the date of this Pre-Listing Statement.

Furthermore, there have been no material changes in the trading objects or business of the Group since incorporation.

## 24. STATEMENT AS TO LISTING ON THE JSE

The JSE has approved the application for a listing of all the issued Sygnia Ordinary Shares on the Main Board in the Financial Services sector of the JSE under the abbreviated name "SYGNIA", with effect from the commencement of business on Wednesday, 14 October 2015.

## 25. EXCHANGE CONTROL REGULATIONS

The following summary is intended as a guide and is therefore not comprehensive. If you are in any doubt regarding SARB Exchange Control Regulations, please consult your professional advisor.

### 25.1 Emigrants from the Common Monetary Area

A former resident of the Common Monetary Area, who has emigrated from South Africa, may use blocked funds to subscribe for Ordinary Shares.

All payments in respect of the subscription for Ordinary Shares by an emigrant using blocked funds must be made through an authorised dealer in foreign exchange controlling the blocked assets.

Any Ordinary Shares issued pursuant to the use of blocked funds, will be credited to their blocked share accounts at the CSDP controlling their blocked portfolios.

Ordinary Shares subsequently re-materialised and issued in certificated form, will be endorsed "Non-Resident" and will be sent to the authorised dealer in foreign exchange through whom the payment was made.

If applicable, refund monies payable in respect of unsuccessful applications or partly successful applications, as the case may be, for Ordinary Shares, emanating from emigrant blocked accounts, will be returned to the authorised dealer in foreign exchange through whom the payments were made, for credit to such applicants' blocked accounts. Applicants residing outside the Common Monetary Area should note that, where Ordinary Shares are subsequently re-materialised and issued in certificated form, such share certificates will be endorsed "Non-Resident" in terms of the Exchange Control Regulations.

### 25.2 Applicants resident outside the Common Monetary Area

A person who is not resident in the Common Monetary Area should obtain advice as to whether any governmental and/or other legal consent is required and/or whether any other formality must be observed to enable a subscription to be made.

This Pre-Listing Statement is not an offer in any area of jurisdiction in which it is illegal to make such an offer. In such circumstances, this Pre-Listing Statement has been sent for information purposes only.

Holder of Dematerialised Shares will have their statements endorsed 'Non-Resident' and their accounts at their CSDP or broker annotated accordingly.

## 26. EXPENSES OF THE PRIVATE PLACING AND LISTING

Save for the expenses of the Private Placing and Listing, as set out in the table below, Sygnia has not incurred any preliminary expenses in the three years preceding the date of this Pre-Listing Statement.

The expenses of the Private Placing and the Listing are estimated to be approximately R4,750,000 (all excluding VAT) and relate to:

Description	R'000
Nedbank (advisory and Sponsor fee)	1 700
Nedbank (capital raising fee)	1 000
KPMG (Auditor and Reporting Accountant)	290
Deloitte (Reporting Accountant)	390
Cliffe Dekker Hofmeyr (Attorneys)	600
JSE (listing fee)	282
JSE (documentation fee)	72
Printing costs	84
Contingency	332
<b>Total</b>	<b>4 750</b>

## 27. INTERESTS OF ADVISORS AND PROMOTERS

None of the advisors as set out in the "Corporate information" section on page 1 of this Pre-Listing Statement hold any Ordinary Shares or have agreed to acquire any Ordinary Shares.

Sygnia has not paid any amount (whether in cash or in securities), nor given any benefit to any promoters or any partnership, syndicate or other association of which the promoter was a member, not being a Director or a selling Shareholder during the period between the incorporation of Sygnia and the date of this Pre-Listing Statement. No promoters have any material beneficial interest in the promotion of Sygnia.

## 28. CONSENTS

Each of the Sponsor, Attorneys, Reporting Accountants and Transfer Secretaries named in this Pre-Listing Statement have consented in writing to act in the capacities stated, and to their names being stated in this Pre-Listing Statement and none of these consents have been withdrawn prior to the publication of this Pre-Listing Statement.

## 29. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given herein and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, that all reasonable enquiries to ascertain such facts have been made and that this Pre-Listing Statement contains all information required by the Listings Requirements.

## 30. DOCUMENTATION AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the Company's registered office and the Company's office in Johannesburg (Unit 40, 6<sup>th</sup> Floor, Katherine and West Building, West Street, Sandton) from 1 October 2015:

- the Memorandum of Incorporation of Sygnia and the memoranda of incorporation of its subsidiaries;
- the audited annual financial statements of Sygnia Investment Holdings No 2 and Sygnia Life for the years ended 30 September 2014, 30 September 2013 and 30 September 2012;
- the 2014 Special Purpose Financial Statements for the Group for the year ended 30 September 2014;
- the reviewed condensed Interim Historical Financial Information of Sygnia for the six months ended 31 March 2015;

- the Profit Estimate and the Profit Forecast for the four months ended 31 July 2015 and the two months ending 30 September 2015, respectively;
- the signed reports by Deloitte in relation to the Reports of Historical Financial Information of Sygnia Investment Holdings No 2 and Sygnia Life, as well as the 2014 Special Purpose Financial Statements for the Group, the texts of which are set out in Annexures 2, 4 and 6 respectively to this Pre-Listing Statement;
- the signed reports by KPMG in relation to the Report of Interim Historical Financial Information, the Profit Estimate, the Profit Forecast and the *Pro Forma* Financial Information, the texts of which are set out in Annexures 8, 9, 11, 12 and 14 to this Pre-Listing Statement;
- the Directors' service agreements;
- the signed agreements relating to material contracts and material acquisitions as set out in Annexure 15 to this Pre-Listing Statement;
- the written consents of the professional advisors as set out in paragraph 28 of this Pre-Listing Statement; and
- a copy of this Pre-Listing Statement.

This Pre-Listing Statement has been signed in Cape Town on behalf of all the Directors in terms of the powers of attorney granted.

**Magdalena Franciszka Wierzycka**

Chief Executive Officer

Cape Town

1 October 2015

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## REPORT OF HISTORICAL FINANCIAL INFORMATION OF SYGNIA INVESTMENT HOLDINGS NO 2

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### COMMENTARY ON THE HISTORICAL FINANCIAL INFORMATION OF SYGNIA INVESTMENT HOLDINGS NO 2

#### Financial overview for the 12 months ended 30 September 2014

Sygnia Investment Holdings No 2 generated a profit before tax of R28.8 million. Dividends of R7 million were declared and paid for the year ended 30 September 2014. There were no changes in the authorised or issued share capital of Sygnia Investment Holdings No 2 during the year under review. There are no other material matters for the shareholders to appreciate the state of affairs of Sygnia Investment Holdings No 2.

#### Financial overview for the 12 months ended 30 September 2013

Sygnia Investment Holdings No 2 generated a profit before tax of R1.4 million. The significant decrease was attributable to the impact of the application of an IFRS 2 share-based payment expense relating to the Ulundi Transaction of R33.6 million (see note 10 for a further explanation). Dividends of R17.6 million were declared and paid for the year ended 30 September 2013. On 1 October 2012 the issued share capital of Sygnia Investment Holdings No 2 was increased due to a share issue of 2 ordinary shares. There are no other material matters for the shareholders to appreciate the state of affairs of Sygnia Investment Holdings No 2.

#### Financial overview for the 12 months ended 30 September 2012

Sygnia Investment Holdings No 2 generated a profit before tax of R55.0 million, resulting in a profit after tax of R47.8 million. R16.9 million of the profit after tax was attributable to the equity holders of Sygnia Investment Holdings No 2. Dividends of R7.3 million were declared and paid for the year ended 30 September 2012. There are no other material matters for the shareholders to appreciate the state of affairs of Sygnia Investment Holdings No 2.

### HISTORICAL FINANCIAL INFORMATION OF SYGNIA INVESTMENT HOLDINGS NO 2

The report below has been extracted from the audited financial information of Sygnia Investment Holdings No 2 for the 12 months ended 30 September 2014, 30 September 2013 and 30 September 2012. The report is the responsibility of the Board. The historical financial information for 2014 has been audited, and for 2013 and 2012 has been reviewed, by the Reporting Accountant and were reported on without qualification. Their report is included in Annexure 2 to this Pre-Listing Statement.

These financial statements were prepared in accordance with the International Financial Reporting Standards Framework and the Companies Act.

#### 1. MAIN BUSINESS AND OPERATIONS

##### *State of affairs*

Sygnia Investment Holdings No 2 Proprietary Limited ("the Company") is a holding company whose subsidiaries are involved in the provision of investment management related services.

#### 2. EVENTS SUBSEQUENT TO THE REPORTING DATE

The Directors are not aware of any matter or circumstances, other than listed below, arising since the end of the financial period, not otherwise dealt with in this Pre-Listing Statement, which significantly affect the financial position of the Group or the results of their operations:

- With effect from 1 October 2014, Sygnia Investment Holdings No 2 bought all the ordinary shares in Sygnia Life from Sygnia Investment Holdings to create one group through a common control transaction;
- Dividends of R20,692,705 have been declared and paid between the reporting date and the date that these financial statements were approved, excluding the dividend listed below;
- A dividend of R20,000,000 was declared on 10 September 2015 of which only R1,500,000 has been paid when these financial statements were approved;

- On 10 September 2015 the board approved a resolution for the Ordinary Shares of Sygnia to be listed on the JSE together with an Offer for subscription of 28,244,834 Ordinary Shares to the value of R237,256,606 upon Listing;
- Sygnia and its subsidiary, Sygnia Asset Management, have agreed with Ulundi Holdings to swap Ulundi Holdings' 20% shareholding in Sygnia Asset Management for shares in Sygnia.

### 3. **GOING CONCERN**

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. The 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.

### 4. **STATED CAPITAL**

The Company was incorporated with an authorised share capital of 1,000 ordinary shares of which 200 (2013: 200 and 2012: 198) shares were issued.

On 1 October 2012 the issued share capital of the Company was increased due to a share issue of 2 ordinary shares.

### 5. **DIVIDENDS**

Dividends of R7,000,000 were declared and paid for the year ended 30 September 2014 (2013: R17,600,000 and 2012: R7,255,281).

### 6. **SUBSIDIARY COMPANIES**

The Company's interest in the aggregate income earned and losses incurred by its subsidiary companies amounted to income of R19,298,886 (2013: loss R9,477,702 and 2012: income R17,396,348).

In the Company annual financial statements, the Company's investments in subsidiaries is disclosed at book value. The notes to the Company annual financial statements contain disclosure of the directors' valuation. With the exception of Sygnia Asset Management for the 2014 and 2013 financial years, the directors' valuation is based on the net value of the subsidiary companies at year-end. Where the net value is negative the valuation is disclosed at cost. Sygnia Asset Management's 2014 directors' valuation of R528,393,275 (2013: R423,973,955, 2012: R70,000,000) is based on the discounted cash flow method.

### 7. **OWNERSHIP**

The Company's controlling shareholder is the Zatoka Trust which holds 81% of the issued share capital of the Company. The Zatoka Trust is domiciled in the Republic of South Africa.

### 8. **PREPARER OF FINANCIAL STATEMENTS**

Gabriel Louw Rabie CA(SA).

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AT 30 SEPTEMBER 2014**

	Notes	2014 R	2013 Restated* R	2012 R
<b>ASSETS</b>				
<b>Non-current assets</b>		<b>21 839 006</b>	<b>16 757 037</b>	<b>1 170 396 443</b>
Deferred taxation	2	2 858 313	367 555	528 203
Furniture and equipment	3	15 621 791	10 090 768	9 460 873
Goodwill	4	379 155	379 155	379 155
Intangible asset	4	942 099	2 439 262	28 189
Investments	5	2 037 648	3 480 297	–
Investment in hedge funds	6	–	–	1 160 000 023
<b>Current assets</b>		<b>56 700 566</b>	<b>41 615 350</b>	<b>36 425 877</b>
Accounts receivable and prepayments		25 383 668	15 199 441	14 099 680
Loans receivable	7	36 325	–	–
Cash and cash equivalents	8	31 280 573	26 415 909	21 941 071
Taxation receivable		–	–	385 126
<b>Total assets</b>		<b>78 539 572</b>	<b>58 372 387</b>	<b>1 206 822 320</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Capital and reserves</b>		<b>51 280 019</b>	<b>39 045 688</b>	<b>227 187 700</b>
Stated capital	9	2 858 029	2 858 029	146
Share premium		–	–	1 975 213
Retained earnings		15 144 979	2 910 648	29 493 576
Group equity adjustment		(307 062)	(307 062)	(307 062)
Non-controlling interest		–	–	196 025 827
Share-based payment reserve	10	33 584 073	33 584 073	–
<b>Total capital and reserves</b>		<b>51 280 019</b>	<b>39 045 688</b>	<b>227 187 700</b>
<b>Non-current liabilities</b>		<b>–</b>	<b>–</b>	<b>898 357 552</b>
Debentures	11	–	–	898 357 552
<b>Current liabilities</b>		<b>27 259 553</b>	<b>19 326 699</b>	<b>81 277 068</b>
Accounts payable and other accruals		25 380 812	17 584 737	14 885 558
Debenture interest		–	–	64 954 448
Taxation payable		1 052 155	759 649	300 950
Value added taxation		826 586	982 313	1 136 112
<b>Total equity and liabilities</b>		<b>78 539 572</b>	<b>58 372 387</b>	<b>1 206 822 320</b>
Diluted weighted number of shares at the end of the year	15	200	200	198
Basic and diluted earnings per share (Rand)	15	96 172	(44 915)	85 296
Headline earning per share (Rand)	15	114 376	(44 915)	85 354
Net asset value per share (Rand)	15	256 400	195 228	157 383
Tangible net asset value per share (Rand)	15	235 502	179 299	152 658

\*Restated as per note 10.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 SEPTEMBER 2014**

		2014	2013	2012
		R	Restated*	R
	Notes		R	
Revenue		153 625 954	134 448 626	281 103 480
Less expenses		(126 691 067)	(100 882 363)	(232 841 291)
<b>OPERATING PROFIT BEFORE FINANCE COSTS</b>	<b>13</b>	<b>26 934 887</b>	<b>33 566 263</b>	<b>48 262 189</b>
Interest income		1 859 701	1 412 829	37 172 650
Dividend income		28 479	19 236	–
Finance costs		(38)	–	(30 381 348)
Share option expense	10	–	(33 584 073)	–
<b>OPERATING PROFIT BEFORE TAXATION</b>		<b>28 823 029</b>	<b>1 414 255</b>	<b>55 053 491</b>
Taxation	14	(9 588 698)	(10 397 183)	(7 242 915)
<b>NET PROFIT/(LOSS) FOR THE YEAR</b>		<b>19 234 331</b>	<b>(8 982 928)</b>	<b>47 810 576</b>
Other comprehensive income		–	–	–
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR</b>		<b>19 234 331</b>	<b>(8 982 928)</b>	<b>47 810 576</b>
<b>Attributable to:</b>				
Equity holders of the parent		19 234 331	(8 982 928)	16 888 561
Non-controlling interest		–	–	30 922 015

\*Restated as per note 10.

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 SEPTEMBER 2014**

	Group equity adjustment	Non- controlling interest	Share-based payment reserve	Stated capital	Share premium	Retained earnings	Total capital and reserves
	R	R	R	R	R	R	R
<b>Balance at 1 October 2011</b>	(307 062)	146 444 822	-	148	1 995 165	20 725 339	168 858 412
Contribution by non-controlling interest	-	18 658 990	-	-	-	-	18 658 990
Dividends paid	-	-	-	-	-	(7 255 281)	(7 255 281)
Share buy back	-	-	-	(2)	(19 952)	(865 043)	(884 997)
Total comprehensive income for the year	-	30 922 015	-	-	-	16 888 561	47 810 576
<b>Balance at 30 September 2012</b>	<b>(307 062)</b>	<b>196 025 827</b>	<b>-</b>	<b>146</b>	<b>1 975 213</b>	<b>29 493 576</b>	<b>227 187 700</b>
Withdrawal of non-controlling interest	-	(196 025 827)	-	-	-	-	(196 025 827)
Dividends paid	-	-	-	-	-	(17 600 000)	(17 600 000)
Transfer to stated capital	-	-	-	1 975 213	(1 975 213)	-	-
Restated share option granted*	-	-	33 584 073	-	-	-	33 584 073
Share issue	-	-	-	882 670	-	-	882 670
Total comprehensive loss for the year	-	-	-	-	-	(8 982 928)	(8 982 928)
<b>Restated balance at 30 September 2013</b>	<b>(307 062)</b>	<b>-</b>	<b>33 584 073</b>	<b>2 858 029</b>	<b>-</b>	<b>2 910 648</b>	<b>39 045 688</b>
Dividends paid	-	-	-	-	-	(7 000 000)	(7 000 000)
Total comprehensive income for the year	-	-	-	-	-	19 234 331	19 234 331
<b>Balance at 30 September 2014</b>	<b>(307 062)</b>	<b>-</b>	<b>33 584 073</b>	<b>2 858 029</b>	<b>-</b>	<b>15 144 979</b>	<b>51 280 019</b>

\*Restated as per note 10.

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 SEPTEMBER 2014**

	Notes	2014 R	2013 R	2012 R
<b>Cash flows from operating activities</b>				
Cash generated by/(utilised in) operations	16	36 639 748	(26 675 813)	(14 508 552)
Dividends received		28 479	19 236	21 368 567
Interest received		1 859 701	1 412 829	37 172 650
Interest paid		(38)	–	(30 381 348)
Taxation paid		(11 786 950)	(9 392 709)	(7 064 217)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>26 740 940</b>	<b>(34 636 457)</b>	<b>6 587 100</b>
<b>Cash flows from investing activities</b>				
Additions to furniture and equipment		(11 775 682)	(4 152 466)	(2 637 472)
Additions to intangible assets		(4 981 589)	(2 446 471)	(28 495)
Net purchase of investments		(3 715 871)	(3 480 297)	–
Net disinvestment/(investment) in hedge funds		–	1 160 291 239	(108 614 207)
Proceeds on disposals of furniture and equipment		15 411	–	–
Proceeds on sale of investments		5 581 455	–	1 754
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(14 876 276)</b>	<b>1 150 212 005</b>	<b>(111 278 420)</b>
<b>Cash flows from financing activities</b>				
Dividends paid		(7 000 000)	(17 600 000)	(7 255 281)
Contribution by non-controlling interest		–	–	18 658 990
Withdrawal of non-controlling interest		–	(196 025 828)	–
Proceeds from (redemption)/issue of debenture		–	(898 357 552)	103 658 788
Proceeds from share issue		–	882 670	–
Share Buy Back		–	–	(884 997)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(7 000 000)</b>	<b>(1 111 100 710)</b>	<b>114 177 500</b>
<b>Net increase in cash and cash equivalents</b>		<b>4 864 664</b>	<b>4 474 838</b>	<b>9 486 180</b>
Cash and cash equivalents at beginning of the year	8	26 415 909	21 941 071	12 454 891
<b>Cash and cash equivalents at end of the year</b>	<b>8</b>	<b>31 280 573</b>	<b>26 415 909</b>	<b>21 941 071</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2014

### 1. ACCOUNTING POLICIES

#### **General information**

The Sygnia Investment Holdings No 2 Proprietary Limited Group is involved in the provision of investment management related services.

#### **Statement of compliance**

The Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 October 2012.

#### **Basis of preparation**

The financial statements, which have been prepared on the going concern basis, have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB), and the requirements of the South African Companies Act, 2008.

The annual financial statements are presented in South African Rand.

The preparation of the annual 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.

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments. The principal accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

#### **Standards and interpretations affecting amounts reported in the current period (and/or prior periods)**

In the current year, the Company has applied a number of new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 October 2013.

IFRS 7 Financial Instruments: Disclosures (Amendment requires entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure) – effective annual periods beginning on or after 1 January 2013.

IFRS 10 Consolidated Financial Statements: (New standard that replaces the consolidation requirements in SIC 12: Consolidation of Special Purpose Entities and IAS 27: Consolidated and Separate Financial Statements Standard builds on existing principles by identifying the concepts of control as the determining factor whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess) – effective annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements: (New standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangement, rather than its legal form. Standard requires a single method for accounting for interests in jointly controlled entities) – effective annual periods beginning on or after 1 January 2013. (Amendments to the transition guidance of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, thus limiting the requirements to provide adjusted comparative information) – effective annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Interest in Other Entities: (New standard on disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles) – effective annual periods on or after 1 January 2013. (Amendments to the transition guidance of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, thus limiting the requirements to provide adjusted comparative information) – effective annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement: (New guidance on fair value measurement and disclosure requirements) – effective annual periods on or after 1 January 2013.

IAS 1 Presentation of Financial Statements: (Amendments clarifying the requirements for comparative information including minimum and additional comparative information required) – effective annual periods beginning on or after 1 January 2013.

IAS 16 Property, Plant and Equipment: (Amendments to the recognition and classification of servicing equipment) – effective annual periods beginning on or after 1 January 2013.

IAS 27 Consolidated and Separate Financial Statements: (Consequential amendments resulting from the issue of IFRS 10, 11 and 12) – effective annual periods beginning on or after 1 January 2013.

IAS 32 Financial Instruments: Presentation (Amendments require entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. Amendments were also made to clarify the tax effect of distributions to holders of equity instruments) – effective annual periods beginning on or after 1 January 2013.

### ***Standards and interpretations in issue not yet adopted***

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

IFRS 7 Financial Instruments: Disclosures (Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures) – effective annual periods beginning on or after 1 January 2015.

IFRS 9 Financial Instruments: (New standard that forms the first part of a three-part project to replace IAS 39 Financial Instruments: Recognition and Measurement) – effective annual periods beginning on or after 1 January 2018.

IFRS 10 Consolidated Financial Statements: (Exception to the principal that all subsidiaries must be consolidated. Entities meeting the definition of "Investment Entities" must be accounted for at fair value under IFRS 9, Financial Instruments, or IAS 39, Financial Instruments: Recognition and Measurement) – effective annual periods beginning on or after 1 January 2014.

IFRS 12 Disclosure of Interest in Other Entities: (New disclosures required for Investment Entities as defined in IFRS 10) – effective annual periods beginning on or after 1 January 2014.

IFRS 13 Fair Value Measurement: (Amendments resulting from Annual Improvements 2011 – 2013 Cycle (scope of the portfolio exception in paragraph 52)) – effective annual periods beginning on or after 1 July 2014.

IFRS 15 Revenue from Contracts with Customers: (New standard) – effective periods beginning on or after 1 January 2017.

IAS 16 Property, Plant and Equipment: (Amendments resulting from Annual Improvements 2011 – 2013 Cycle (proportionate restatement of accumulated depreciation on revaluation)) – effective annual periods beginning on or after 1 July 2014.

IAS 24 Related Party Disclosures: (Amendments resulting from Annual Improvements 2010 – 2012 Cycle (management entities)) – effective annual periods beginning on or after 1 July 2014.

IAS 27 Consolidated and Separate Financial Statements: (Requirement to account for interests in "Investment Entities" at fair value under IFRS 9, Financial Instruments, or IAS 39, Financial Instruments: Recognition and Measurement, in the separate financial statements of a parent) – effective annual periods beginning on or after 1 January 2014.

IAS 32 Financial Instruments: Presentation: (Amendments resulting from Annual Improvements 2009 – 2011 Cycle (tax effect of equity distributions)) – effective annual periods beginning on or after 1 January 2014.

IAS 36 Impairment of Assets: (The amendment to IAS 36 clarifies the required disclosures of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal) – effective annual periods beginning on or after 1 January 2014.

IAS 39 Financial Instruments: Recognition and Measurement: (Amendments for Novation of Derivatives and Continuation of Hedge Accounting) – effective annual periods beginning on or after 1 January 2014.

### ***Basis of consolidation***

The group annual financial statements represent the consolidated financial position and changes therein, operating results and cash flow information of the Company and all of its subsidiaries. Under IFRS 10 subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date on which control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries and businesses by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated.

### ***Furniture and equipment***

Furniture and equipment is stated at historical cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The useful life and residual value of all assets are reassessed annually.

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

Artwork	5 – 25 years
Computer equipment	3 years
Software	2 years
Office equipment	5 years
Furniture and fittings	6 years
Leasehold improvements	Over the lease term

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

### ***Goodwill***

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

### ***Investment in partnerships***

Investments in partnerships are stated at fair value as determined by the directors taking into account the underlying assets of the partnership. Realised and unrealised changes in fair value are recognised in income during the period in which they occur in proportion to the interest held in the partnership during the period.

## **Intangible assets**

### *Internally-generated intangible assets – research and development expenditure*

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the development phase of an internal project is recognised if, and only if, all of the following have been demonstrated:

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

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred. Expenditure on an intangible asset that was initially charged to profit and loss is not recognised as a part of the cost of an intangible asset at a later date.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets have a finite useful life. Amortisation is calculated on the straight-line method to write off the cost of each asset over its estimated useful life. Assets are amortised over the following periods:

Internally generated computer software	2 years
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## **Taxation**

Income taxation expense represents the sum of the taxation currently payable and deferred taxation.

### *Current taxation*

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

### *Deferred taxation*

Deferred taxation is provided using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial accounting purposes. However, deferred taxation is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred taxation is charged or credited to profit or loss, except where it relates to items charged to or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets relating to the carrying forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Company intends to settle its current tax assets and liabilities on a net basis.

## **Financial instruments**

### *Recognition and derecognition of financial instruments*

Financial instruments are recognised when the Company becomes a party to the contractual provisions of the particular instrument. Financial instruments include all financial assets and financial liabilities but excludes taxation (deferred and current).

The Company derecognises a financial asset when:

- the contractual rights to the cash flows arising from the financial assets have expired or been forfeited by the Company; or
- it transfers the financial asset including substantially all the risks and rewards of ownership of the asset; or
- it transfers the financial asset, neither retaining nor transferring substantially all the risks and rewards of ownership of the asset, but no longer retains control of the asset.

A financial liability is derecognised when the liability is extinguished, that is, when the obligation specified in the contract is discharged, cancelled or has expired.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recognised at trade date, which is the date that the Company commits to purchase or sell the asset. Otherwise such transactions are treated as derivatives until settlement occurs. Loans and receivables are recognised (at fair value plus attributable transaction costs) when cash is advanced to borrowers.

### *Classification and measurement*

#### *Financial assets at fair value through profit or loss*

Financial assets are classified as at fair value through profit or loss where the financial asset is either held for trading or it is designated as at fair value through profit or loss.

#### *Financial assets designated at fair value through profit or loss*

Financial assets designated at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. After initial recognition, the Company measures financial assets designated at fair value through profit or loss at fair values without any deduction for transaction costs it may incur on their disposal.

Listed investments are reflected in the balance sheet at fair value, using ruling prices on share and bond exchanges. Unlisted investments are valued by the directors taking into account prevailing interest rates, market conditions and underlying investments.

#### *Loans and receivables*

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

#### *Effective interest rate method*

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, and other money market assets with less than ninety days to maturity from the date of acquisition. For the purposes of the cash flow statement, cash and cash equivalents comprise balances due from banks.

## *Financial liabilities and equity instruments*

### *Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### *Financial liabilities*

Financial liabilities are classified as either financial liabilities 'at fair value through profit and loss' or 'other financial liabilities'.

### *Financial liabilities at fair value through profit and loss*

Financial liabilities are classified as at fair value through profit and loss where the financial liability is either held for trading or it is designated as at fair value through profit and loss.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit and loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

Financial liabilities at fair value through profit and loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. All financial liabilities issued by the Company are designated by the Company on initial recognition as at fair value through profit or loss. This designation eliminates a measurement inconsistency that would otherwise arise if these financial liabilities were not measured at fair value since the assets held to back the investment financial liabilities are also measured at fair value.

No hedge accounting is applied.

### *Fair value measurement principles*

The Company has applied IFRS 13 for the first time in the current year. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

The Company has not made any new disclosures required by IFRS 13 for the 2012 comparative period, this is in accordance with the transitional provisions. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the financial statements.

### **Offsetting**

Where a legally enforceable right of off-set exists for recognised financial assets and liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

### **Operating leases**

Leases under which the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

### **Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the directors' best estimate of the expenditure required to settle the present obligation at the balance sheet date using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

### **Revenue**

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax. Fee income is comprised of the net amounts invoiced to clients for services rendered.

Revenue from the provision of IT maintenance and support services is recognised after making an appropriate adjustment for the provision of future services. This deferred income provision is recognised in the balance sheet and is determined by the amount of work that still needs to be performed in relation to the total transaction. Deferred income is recognised in profit and loss on a time proportionate basis as services are rendered.

Performance fee income is recognised when the Company is unconditionally entitled to the revenue and no contingency with respect to future performance exists.

Dividends are recognised when the right to receive payment is established.

Interest income is recognised on the accrual basis using the effective interest rate method.

### **Impairment**

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

### **Employee Benefits**

#### *Pension obligations*

The group operates a defined contribution plan and the assets are held in a separate trustee administered provident fund. The provident fund is funded by payments from the group. The group's contributions to the fund are charged to the income statement in the period to which they relate. The group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods. No valuation is performed as the liabilities of the fund cannot exceed its assets.

Employee benefits in the form of annual leave entitlements are provided for as and when they accrue to employees as a result of services rendered.

#### **Dividends**

Dividends payable to holders of equity instruments of the Company are recognised in the period in which they are declared.

#### **Share-based payments**

Equity-settled share-based payments are measured at fair value at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed, with a corresponding increase in equity, on a straight-line basis over the vesting period based on management's estimate of the shares that will vest and adjusted for the effect of non-market-based vesting conditions. These share-based payments are not subsequently revalued.

Black Economic Empowerment ("BEE") transactions involving the issue of equity interests are recognised when the accounting recognition criteria have been met. Although economic and legal ownership of such instruments have transferred to the BEE partner, the accounting recognition of equity instruments issued is postponed until the significant risks and rewards of ownership of the equity have passed to the BEE partner.

Fair value of the share options granted in the BEE transaction is measured using the Monte Carlo option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

## 2. DEFERRED TAXATION

*Deferred tax assets arise from the following:*

	2014	2013	2012
	R	R	R
Accruals	452 863	454 017	392 295
Deferred income	35 482	33 285	31 312
Deferred operating lease cash flows	–	78 849	55 478
Other temporary differences	(275 715)	(160 236)	(146 305)
Temporary difference due to impairment of asset	1 248 802	–	–
Tenant installation allowance	339 688	–	–
Unrealised profit on investments	(20 098)	(54 361)	–
Unused tax losses	1 077 291	16 001	195 423
	<b>2 858 313</b>	367 555	528 203
Reconciliation between deferred taxation opening and closing balances:			
Deferred tax asset at beginning of the year	367 555	528 203	912 097
Accruals	(1 154)	61 722	135 818
Deferred income	2 197	1 973	1 491
Deferred operating lease cash flows	(78 849)	23 371	46 999
Other temporary differences	(115 479)	(13 931)	(19 447)
Temporary difference due to impairment of asset	1 248 802	–	–
Tenant installation allowance	339 688	–	–
Unrealised profit on investments	34 263	(54 361)	–
Unused tax losses accrued/(used)	1 061 290	(179 422)	(548 755)
Deferred tax asset at end of the year	<b>2 858 313</b>	367 555	528 203

### 3. FURNITURE AND EQUIPMENT

2014	Opening balance at 1 October 2013	Additions	Written off	Disposal	Closing balance at 30 September 2014
<b>At cost</b>	R	R	R	R	R
Artwork	3 132 395	968 296	–	–	4 100 691
Computer equipment	2 524 480	1 128 228	(20 278)	–	3 632 430
Furniture and fittings	4 915 482	1 631 314	–	–	6 546 796
Leasehold improvements	9 530 313	7 862 036	(1 314 193)	–	16 078 156
Office equipment	181 951	185 808	–	–	367 759
<b>Total</b>	20 284 621	11 775 682	(1 334 471)	–	30 725 832

Accumulated depreciation	Opening balance at 1 October 2013	Depreciation	Written off	Disposal	Closing balance at 30 September 2014
	R	R	R	R	R
Artwork	631 138	229 945	–	–	861 083
Computer equipment	1 337 717	1 246 109	(7 886)	–	2 575 940
Furniture and fittings	2 774 806	1 246 432	–	–	4 021 238
Leasehold improvements	5 350 231	2 762 718	(714 331)	–	7 398 618
Office equipment	99 961	147 201	–	–	247 162
<b>Total</b>	10 193 853	5 632 405	(722 217)	–	15 104 041

#### Net book value

Artwork	3 239 608
Computer equipment	1 056 490
Furniture and fittings	2 525 558
Leasehold improvements	8 679 538
Office equipment	120 597
<b>Total</b>	15 621 791

<b>2013</b>	<b>Opening balance at 1 October 2012</b>	<b>Additions</b>	<b>Written off</b>	<b>Disposal</b>	<b>Closing balance at 30 September 2013</b>
<b>At cost</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Artwork	2 982 644	149 751	–	–	3 132 395
Computer equipment	1 987 743	853 120	(316 383)	–	2 524 480
Furniture and fittings	3 551 407	1 367 347	(3 272)	–	4 915 482
Leasehold improvements	7 829 492	1 763 368	(62 547)	–	9 530 313
Office equipment	163 071	18 880	–	–	181 951
<b>Total</b>	<b>16 514 357</b>	<b>4 152 466</b>	<b>(382 202)</b>	<b>–</b>	<b>20 284 621</b>
	<b>Opening balance at 1 October 2012</b>	<b>Depreciation</b>	<b>Written off</b>	<b>Disposal</b>	<b>Closing balance at 30 September 2013</b>
<b>Accumulated depreciation</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Artwork	423 925	207 213	–	–	631 138
Computer equipment	920 165	733 935	(316 383)	–	1 337 717
Furniture and fittings	1 991 427	786 651	(3 272)	–	2 774 806
Leasehold improvements	3 650 174	1 762 604	(62 547)	–	5 350 231
Office equipment	67 793	32 168	–	–	99 961
<b>Total</b>	<b>7 053 484</b>	<b>3 522 571</b>	<b>(382 202)</b>	<b>–</b>	<b>10 193 853</b>
<b>Net book value</b>					
Artwork					2 501 257
Computer equipment					1 186 763
Furniture and fittings					2 140 676
Leasehold improvements					4 180 082
Office equipment					81 990
					<b>10 090 768</b>

<b>2012</b>	<b>Opening balance at 1 October 2011</b>	<b>Additions</b>	<b>Written off</b>	<b>Disposal</b>	<b>Closing balance at 30 September 2012</b>
<b>At cost</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Artwork	1 914 665	1 067 979	–	–	2 982 644
Computer equipment	1 568 069	978 886	(559 212)	–	1 987 743
Furniture and fittings	3 209 781	385 446	–	(43 820)	3 551 407
Leasehold improvements	7 672 280	157 212	–	–	7 829 492
Office equipment	115 122	47 949	–	–	163 071
<b>Total</b>	<b>14 479 917</b>	<b>2 637 472</b>	<b>(559 212)</b>	<b>(43 820)</b>	<b>16 514 357</b>
	<b>Opening balance at 1 October 2011</b>	<b>Depreciation</b>	<b>Written off</b>	<b>Disposal</b>	<b>Closing balance at 30 September 2012</b>
<b>Accumulated depreciation</b>					
Artwork	236 273	187 652	–	–	423 925
Computer equipment	1 048 803	430 574	(559 212)	–	920 165
Furniture and fittings	1 406 074	611 523	–	(26 170)	1 991 427
Leasehold improvements	1 920 056	1 730 118	–	–	3 650 174
Office equipment	41 174	26 619	–	–	67 793
<b>Total</b>	<b>4 652 380</b>	<b>2 986 486</b>	<b>(559 212)</b>	<b>(26 170)</b>	<b>7 053 484</b>
<b>Net book value</b>					
Artwork					2 558 719
Computer equipment					1 067 578
Furniture and fittings					1 559 980
Leasehold improvements					4 179 318
Office equipment					95 278
					<b>9 460 873</b>

#### 4. INTANGIBLE ASSET

	2014 R	2013 R	2012 R
<b>Goodwill</b>			
Balance at the beginning of the year	379 155	379 155	379 155
Closing balance at the end of the year	379 155	379 155	379 155

	Computer software R	Total R
<b>2014</b>		
<b>At cost</b>		
Opening balance at 1 October 2013	2 848 911	2 848 911
Additions	4 981 589	4 981 589
Closing balance at 30 September 2014	7 830 500	7 830 500
<b>Accumulated amortisation</b>		
Opening balance at 1 October 2013	409 649	409 649
Amortisation	2 018 746	2 018 746
Impairment	4 460 006	4 460 006
Closing balance at 30 September 2014	<b>6 888 401</b>	<b>6 888 401</b>
Net book value at 30 September 2014	<b>942 099</b>	<b>942 099</b>
<b>2013</b>		
<b>At cost</b>		
Opening balance at 1 October 2012	402 440	402 440
Additions	2 446 471	2 446 471
Closing balance at 30 September 2013	2 848 911	2 848 911
<b>Accumulated amortisation</b>		
Opening balance at 1 October 2012	374 251	374 251
Amortisation	35 398	35 398
Closing balance at 30 September 2013	409 649	409 649
Net book value at 30 September 2013	2 439 262	2 439 262
<b>2012</b>		
<b>At cost</b>		
Opening balance at 1 October 2011	373 945	373 945
Additions	28 495	28 495
Closing balance at 30 September 2012	402 440	402 440
<b>Accumulated amortisation</b>		
Opening balance at 1 October 2011	337 853	337 853
Amortisation	36 398	36 398
Closing balance at 30 September 2012	374 251	374 251
Net book value at 30 September 2012	28 189	28 189

5. **INVESTMENTS**

	2014	2013	2012
	R	R	R
Collective investment schemes	2 037 648	3 480 297	–
	<b>2 037 648</b>	3 480 297	–

The investments are in Sygnia unit trust products and are stated at fair value. A register of investments is available for inspection at the registered address of the Company in terms of the provisions of the Companies Act, 2008.

6. **INVESTMENT IN HEDGE FUNDS**

	2014	2013	2012
	R	R	R
<b>INVESTMENT IN HEDGE FUNDS</b>			
Investment at the beginning of the year	–	1 160 000 023	974 683 831
New investments	–	–	83 153 690
Net disinvestments	–	(1 160 000 023)	(60 141 807)
Profit share in hedge funds	–	–	162 304 309
Investment at the end of the year	–	–	1 160 000 023

Investments in hedge funds represent the group's interest in the following investments held by the Ulundi Trust 1 to 20.

Bateleur Fund 1 Partnership	–	–	105 771 400
Brait Matrix Fixed Income Fund	–	–	53 900 653
Coronation Multi-Strategy Arbitrage Fund	–	–	81 386 582
Fairtree Capital Partnership	–	–	85 453 342
X-Chequer Market Neutral Fund	–	–	131 711 778
Golden Hind Partnership	–	–	186 116 250
Peregrine Pure Hedge Fund	–	–	17 401 988
Bateleur Market Neutral Fund	–	–	35 859 802
X-Chequer Freestone Fund	–	–	6 653 859
Mazi Market Neutral Fund	–	–	78 373 232
Oakmont Long Short Equity Fund	–	–	94 838 681
Salient Quants SA Hedge Fund	–	–	17 112 267
Steyn Capital SA Fund	–	–	76 035 324
Fairtree Long Short Equity Fund	–	–	51 790 896
X-Chequer Long Short Equity Fund	–	–	83 550 597
36ONE Hedge Fund	–	–	44 896 919
Cash held by Sygnia Signature Limited Liability Partnership	–	–	4 711 794
Cash held by Sygnia Absolute Limited Liability Partnership	–	–	4 434 659
	–	–	1 160 000 023

7. **LOANS RECEIVABLE**

	2014 R	2013 R	2012 R
Izibuko Holdings Proprietary Limited	15 455	–	–
Ulundi Holdings Proprietary Limited	20 870	–	–
	<b>36 325</b>	–	–
Non-current liability	–	–	–
Current liability	<b>36 325</b>	–	–
	<b>36 325</b>	–	–

The loans are unsecured, bear no fixed interest and have no fixed repayment terms.

8. **CASH AND CASH EQUIVALENTS**

	2014 R	2013 R	2012 R
Cash at bank and on deposit	<b>31 280 573</b>	26 415 909	21 941 071

A bank guarantee of R307 520 (2013: R307 520, 2012: R307 520) has been obtained from Nedbank in favour of Truzen 35 Trust for the Company's lease commitment in respect of the Johannesburg office.

9. **STATED CAPITAL**

	2014 R	2013 R	2012 R
<i>Authorised</i>			
1 000 ordinary shares of no par value			
<i>Issued</i>			
200 ordinary shares of no par value (2013: 200, 2012: 198)	<b>2 858 029</b>	2 858 029	146

The unissued shares at 30 September 2014 are under the control of the directors until the next annual general meeting.

With effect from 1 October 2014, Sygnia Investment Holdings No 2 bought all the ordinary shares in Sygnia Life from Sygnia Investment Holdings to create one group through a common control transaction.

## 10. SHARE-BASED PAYMENT RESERVE

	2014 R	2013 R	2012 R
<b>BEE transaction</b>			
Share-based payment reserve relating to BEE transaction	<b>33 584 073</b>	33 584 073	–

### *Background*

With effect from 31 July 2013, the shareholders of Sygnia Investment Holdings No 2 approved the implementation of a transaction that would introduce a strategic B-BBEE shareholding in Sygnia Asset Management, the major operating subsidiary of Sygnia Investment Holdings No 2.

In terms of this approval Sygnia Asset Management was authorised to issue 25 Sygnia Asset Management shares representing 20% of its entire issued share capital to Ulundi Holdings for a total fair value consideration of R84,780,944.

The transaction was funded by way of an interest-free loan of R11,780,944 (balance of R10,281,864 as at 30 September 2014) between Sygnia Asset Management and Ulundi Holdings and by Sygnia Investment Holdings No 2 subscribing to preference shares in Ulundi Holdings to the value of R73,000,000. The preference shares receive dividends at a rate of 72% of the prevailing prime interest rate. Any dividends paid on the Company's shares to Ulundi Holdings will firstly be used to fund the preference share dividends payable, and then to redeem the outstanding preference shares and interest-free loan.

This transaction will provide long-term sustainable benefits to all participants and will have a tenure of 10 years.

At the maturity date, Ulundi Holdings may repay the remaining obligations in terms of the preference share agreement and the interest-free loan by disposing of a sufficient percentage of its shareholding. Alternatively, should the structure not hold value, Ulundi Holdings will have no obligations to settle the outstanding balances. If, before the maturity date, the preference shares and loan have been fully repaid, Ulundi Holdings will own the 20% shareholding in Sygnia Asset Management outright.

### *Accounting treatment*

The economic substance of this transaction is that Ulundi Holdings has received an equity settled call option over the Sygnia Asset Management shares, which matures in 10 years' time from the date of issue.

This transaction therefore represents an equity-settled share-based payment with no vesting conditions which needs to be accounted for in accordance with the requirements of IFRS 2 – Share-based Payments, and expensed immediately.

The cost of the transaction has been valued accordingly by using a Monte Carlo simulation model using the following inputs:

- Sygnia Asset Management valuation at effective date: R339,123,977
- Dividend yield: 6.372%
- Risk-free rate: 9.496%
- Volatility: 41.43%
- Prime interest rate: 8.5%
- Time to maturity: 10 years

The model is not particularly sensitive to the risk-free and prime interest rate assumptions, as any changes in one would generally be offset by a change in the other.

The total cost of the transaction as at 31 July 2013 was determined as R33,854,073.

During the prior year, the transaction was accounted for in accordance with its legal substance. The impact of the application of IFRS 2 to the transaction on the 2013 financial year originally reported amounts is set out in the following table.

Rands	2013		Originally posted
	Revised amount	Adjustment	
<b>Statement of financial position</b>			
Preference dividends receivable	–	(254 600)	254 600
Loans receivable – non-current	–	(73 000 000)	73 000 000
Loans receivable – current	–	(11 780 994)	11 780 994
Investment in subsidiary	–	–	–
Share-based payment reserve	(33 584 073)	(33 584 073)	–
Retained earnings	(2 910 648)	33 824 876	(36 735 524)
Non-controlling	–	84 794 791	(84 794 791)
<b>Statement of comprehensive income</b>			
Revenue	(134 448 626)	–	(134 448 626)
Interest income	(1 412 829)	744 600	(2 157 429)
Share option expense	33 584 073	33 584 073	–

There is no impact on the figures for the financial years ended prior to 30 September 2012 as the effective date of the transaction was 31 July 2013.

	2014 R	2013 R	2012 R
<b>Transaction with a staff member</b>			
Share-based payment reserve relating transactions with a share member	882 669	882 669	–

#### *Background*

Sygnia Investment Holdings No 2 granted 2 shares to a senior member of staff for no consideration on 1 October 2012. The share issue did not have a vesting period or employment conditions attached to it. The shares therefore vested immediately.

The cost of the transaction was determined by a suitable qualified external valuator.

The full value of the shares were expensed in the 2013 financial year. No expense has been recognised in the current year relating to the share issue.

## 11. DEBENTURES

Debentures, valued at R224,598,388, issued by Sygnia Alpha Investments Proprietary Limited comprise variable rate unsecured debentures issued to Sygnia Life. These variable rate debentures are redeemable on demand, but have a maximum maturity of 20 years. At 28 February 2012 a rate of 3.97% and 3.53% was declared to October 2011 note holders, 3.96% and 3.48% to November 2011 note holders, 3.97% and 3.46% to December 2011 note holders, 3.92% and 3.38% to January 2012 note holders and 3.66% and 3.22% to February 2012 note holders. At 30 September 2012 a rate of 3.96% and 3.45% was declared to March 2012 note holders, 3.94% and 3.42% to April 2012 note holders, 3.99% and 3.43% to May 2012 note holders, 3.94% and 3.38% to June 2012 note holders, 4.02% and 3.39% to July 2012 note holders, 4.21% and 3.34% to August 2012 note holders, 4.71% and 2.91% to September 2012.

Debentures, valued at R224,598,388, issued by Sygnia Beta Investments Proprietary Limited comprise variable rate unsecured debentures issued to Sygnia Life. These variable rate debentures are redeemable on demand, but have a maximum maturity of 20 years. At 28 February 2012 a rate of 3.97% and 3.53% was declared to October 2011 note holders, 3.96% and 3.48% to November 2011 note holders, 3.97% and 3.46% to December 2011 note holders, 3.92% and 3.38% to January 2012 note holders and 3.66% and 3.22% to February 2012 note holders. At 30 September 2012 a rate of 3.96% and 3.45% was declared to March 2012 note holders, 3.94% and 3.42% to April 2012 note holders, 3.99% and 3.43% to May 2012 note holders, 3.94% and 3.38% to June 2012 note holders, 4.02% and 3.39% to July 2012 note holders, 4.21% and 3.34% to August 2012 note holders, 4.71% and 2.91% to September 2012.

Debentures, valued at R224,598,388, issued by Sygnia Gamma Investments Proprietary Limited comprise variable rate unsecured debentures issued to Sygnia Life. These variable rate debentures are redeemable on demand, but have a maximum maturity of 20 years. At 28 February 2012 a rate of 3.97% and 3.53% was declared to October 2011 note holders, 3.96% and 3.48% to November 2011 note holders, 3.97% and 3.46% to December 2011 note holders, 3.92% and 3.38% to January 2012 note holders and 3.66% and 3.22% to February 2012 note holders. At 30 September 2012 a rate of 3.96% and 3.45% was declared to March 2012 note holders, 3.94% and 3.42% to April 2012 note holders, 3.99% and 3.43% to May 2012 note holders, 3.94% and 3.38% to June 2012 note holders, 4.02% and 3.39% to July 2012 note holders, 4.21% and 3.34% to August 2012 note holders, 4.71% and 2.91% to September 2012.

Debentures, valued at R224,598,388, issued by Sygnia Delta Investments Proprietary Limited comprise variable rate unsecured debentures issued to Sygnia Life. These variable rate debentures are redeemable on demand, but have a maximum maturity of 20 years. At 28 February 2012 a rate of 3.97% and 3.53% was declared to October 2011 note holders, 3.96% and 3.48% to November 2011 note holders, 3.97% and 3.46% to December 2011 note holders, 3.92% and 3.38% to January 2012 note holders and 3.66% and 3.22% to February 2012 note holders. At 30 September 2012 a rate of 3.96% and 3.45% was declared to March 2012 note holders, 3.94% and 3.42% to April 2012 note holders, 3.99% and 3.43% to May 2012 note holders, 3.94% and 3.38% to June 2012 note holders, 4.02% and 3.39% to July 2012 note holders, 4.21% and 3.34% to August 2012 note holders, 4.71% and 2.91% to September 2012.

## 12. RELATED PARTY TRANSACTIONS

The Company enters into various service transactions, in the ordinary course of business, with related parties.

GROUP		2014		2013		2012	
		Services provided (by)/to related party	Amount owed (to)/ by related party	Services provided (by)/to related party	Amount owed (to)/ by related party	Services provided (by)/to related party	Amount owed (to)/ by related party
Sygnia Life Limited	(1)	62 955 764	5 804 120	52 895 859	5 012 520	43 340 808	4 962 636
Sygnia Life Limited	(1)	(2 084 688)	(177 801)	(1 901 294)	(190 709)	(1 367 885)	(147 115)
Widok Properties Proprietary Limited	(2)	(4 210 976)	(45 754)	(4 107 927)	–	(4 108 367)	–
Beret Properties Proprietary Limited	(2)	(3 342 325)	–	(465 641)	–	–	–
Sygnia Active Equity Fund	(3)	809 033	1 210 153	–	–	–	–
Sygnia Alpha Plus Fund	(3)	307 525	21 497	498 670	50 213	–	–
Sygnia CPI + 2% Fund	(3)	21 136 469	2 015 764	19 310 827	1 930 509	4 415 442	1 469 284
Sygnia CPI + 4% Fund	(3)	21 253 834	2 088 861	19 032 419	1 884 200	4 317 943	1 452 211
Sygnia CPI + 6% Fund	(3)	15 860 987	1 549 351	1 347 929	1 403 518	2 720 611	930 604
Sygnia DIVI Index Fund	(3)	6 115	1 498	5 848	2 236	–	–
Sygnia Equity Fund	(3)	2 266 978	371 469	6 462	6 298	–	–
Sygnia International Fund of Funds	(3)	1 755 154	999 109	–	–	–	–
Sygnia Listed Property Index Fund	(3)	263 128	58 865	10 823	4 650	–	–
Sygnia Skeleton Balanced 40 Fund	(3)	5 232	1 452	–	–	–	–
Sygnia Skeleton Balanced 60 Fund	(3)	7 756	2 305	–	–	–	–
Sygnia Skeleton Balanced 70 Fund	(3)	29 613	5 871	262	299	–	–
Sygnia SWIX Index Fund	(3)	42 647	9 216	–	–	–	–
Sygnia Top 40 Index Fund	(3)	7 988	1 414	–	–	–	–

(1) The group companies provide investment advisor and portfolio management services to Sygnia Life Limited (common control).

(2) The group rents buildings from Beret Properties Proprietary Limited (common control) and Widok Properties Proprietary Limited (common control).

(3) Sygnia Collective Investments RF Proprietary Limited markets and administers the Sygnia Collective Investment scheme which includes various funds.

Details of directors and prescribed officers emoluments and remuneration for key management personnel is included in note 13.

M Wierzycka and S Peile are related parties to each other, are directors of or have a significant ownership interest in many of the related party entities above.

No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

Inter-company loans are unsecured, do not bear interest and have no fixed terms of repayment.

### 13. OPERATING PROFIT BEFORE FINANCE COST

Operating profit before finance cost is arrived at after taking the following items into account:

	2014	2013	2012
	R	R	R
<b>Income amounts</b>			
Revenue	<b>153 625 954</b>	134 448 626	281 103 480
– Management fees	<b>126 678 084</b>	108 156 617	57 724 116
– Administration fees	<b>26 393 302</b>	25 436 094	18 771 134
– Licence fees	<b>130 393</b>	122 634	116 669
– Dividends from listed investments	–	–	21 368 567
– Realised gains	<b>606 482</b>	425 431	106 256 455
– Rental income	–	–	9 211
– Sundry income	<b>1 241</b>	16 631	155 343
– Unrealised (losses)/gains	<b>(183 548)</b>	291 219	76 701 985
<b>Expense amounts</b>			
Trust distributions to Sygnia Life Limited	–	–	97 858 024
Depreciation	<b>5 632 405</b>	3 522 571	2 986 486
– Artwork	<b>229 945</b>	207 213	187 652
– Computer equipment	<b>1 246 109</b>	733 935	430 574
– Furniture and fittings	<b>1 246 432</b>	786 651	611 523
– Leasehold improvements	<b>2 762 718</b>	1 762 604	1 730 118
– Office equipment	<b>147 201</b>	32 168	26 619
Write-off of fixed assets and intangibles	<b>5 056 849</b>	–	–
Amortisation – computer software	<b>2 018 746</b>	35 398	36 398
Auditors' remuneration	<b>1 416 347</b>	1 272 943	382 741
– Audit fees – current period	<b>399 913</b>	482 491	382 741
– Audit fees – prior period	<b>(27 624)</b>	–	–
– Audit fees – other services	<b>1 044 058</b>	790 452	–
Operating leases	<b>8 843 867</b>	5 848 686	5 245 416
Office premises	<b>8 843 867</b>	5 848 686	5 245 416
Staff costs (including directors)	<b>39 556 751</b>	30 590 602	23 080 432
Increase in leave pay provision			
Current period leave pay charge	<b>424 479</b>	482 575	269 519
<b>Directors' and key management emoluments</b>			
Executive directors	<b>9 412 144</b>	8 205 000	8 353 133
Remuneration	<b>6 398 028</b>	5 531 694	4 686 038
Bonuses	<b>1 879 000</b>	1 324 000	2 400 000
Retirement fund and medical aid contributions	<b>1 135 116</b>	1 349 306	1 267 095

The directors of the Company are employed on the same terms and conditions as other employees and do not have separate service contracts in their capacity as company directors.

	2014	2013	2012
	R	R	R
<i>Key management personnel and directors' remuneration</i>			
MF Wierzycka	3 255 000	3 185 000	3 255 000
SJB Peile #	1 760 000	1 650 000	1 805 667
NJ Giles *	2 077 000	1 850 000	1 510 208
HI Bhorat *	85 000	80 000	–

# Resigned as director on 11 June 2015.

\* Appointed as director on 11 June 2015.

#### 14. TAXATION

	2014	2013	2012
	R	R	R
<b>South African normal taxation</b>			
Current taxation – income	12 079 519	10 235 779	6 381 493
Current taxation – prior year under provision	(63)	757	–
Deferred taxation – current year	(2 490 758)	160 647	383 894
Secondary tax on companies	–	–	477 528
	<b>9 588 698</b>	10 397 183	7 242 915

	2014	2013	2012
	%	%	%
<b>Reconciliation of tax rate</b>			
Standard rate	28.00	28.00	28.00
Non taxable/deductible items	(2.09)	(0.68)	(14.84)
Deferred tax asset not recognised	7.36	1.77	–
Effective rate	<b>33.27</b>	29.09	13.16

Companies in the group have tax losses available for offset against future taxable income which amount to R11,053,846 (2013: R2,284,556 and 2012: R112,674).

## 15. EARNINGS PER SHARE

	2014 R	2013 R	2012 R
The calculation of earnings per share is based on the following:			
Profit attributable to ordinary shareholders:	19 234 331	(8 982 928)	16 888 561
Impairment of intangible assets	3 211 204	–	–
Gross amount	4 460 006	–	–
Tax effect	(1 248 802)	–	–
Impairment of fixed assets	429 727	–	–
Gross amount	596 843	–	–
Tax effect	(167 116)	–	–
Loss of disposal of fixed assets	–	–	11 444
Gross amount	–	–	15 895
Tax effect	–	–	(4 451)
Headline earnings	22 875 262	(8 982 928)	16 900 005
The calculation of the weighted average number of shares is as follows:			
Number of shares at the beginning of the year	200	198	198
Weighted number of shares issued during the year	–	2	–
Weighted number of shares at end of year	200	200	198
Diluted weighted number of shares at the end of the year	200	200	198
Basic and diluted earnings per share (Rand)	96 172	(44 915)	85 296
Headline earning per share (Rand)	114 376	(44 915)	85 354
Net asset value per share (Rand)	256 400	195 228	157 383
Tangible net asset value per share (Rand)	235 502	179 299	152 658

## 16. CASH GENERATED BY/(UTILISED IN) OPERATIONS

Reconciliation of operating profit before taxation to cash generated by/(utilised in) operations:

	2014 R	2013 R	2012 R
Operating profit before taxation	28 823 029	1 414 255	55 053 491
<i>Adjusted for:</i>			
Amortisation	2 018 746	35 398	36 398
Depreciation	5 632 404	3 522 571	2 986 486
Dividends received	(28 479)	(19 236)	(21 368 567)
Interest received	(1 859 701)	(1 412 829)	(37 172 650)
Interest paid	38	–	30 381 348
Write-off of fixed assets and intangibles	5 056 849	–	15 895
Net realised profit on investment portfolio	(606 482)	–	318 802
Share option expense	–	33 584 073	–
Unrealised fair value losses/(gains) on financial assets	183 548	(291 216)	(76 701 985)
Cash flow before taxation and changes in working capital	39 219 952	36 833 016	(46 450 782)
Working capital changes	(2 580 204)	(63 508 829)	31 942 230
Increase in accounts receivable and prepayments	(10 184 227)	(1 099 761)	(8 627 740)
Decrease in loan receivable	(36 325)	–	–
Increase in accounts payable and other accruals	7 796 075	2 699 179	9 593 788
Decrease in related party creditors	–	–	(1 824 769)
Decrease in debenture interest	–	(64 954 448)	32 060 028
Decrease in value added tax	(155 727)	(153 799)	740 923
Cash generated by/(utilised in) operations	36 639 748	(26 675 813)	(14 508 552)

## 17. OPERATING LEASES

The group has leased Floor 6 and 7, The Foundry from Widok Properties Proprietary Limited for a period of five years effective from 1 March 2010. Rentals are fixed for a 60-month period with no increase over the lease period. The current lease payment for rentals and operating costs amounts to R326,821 per month.

### Future lease payments at 30 September 2014

	Up to 1 year R	2 – 5 years R	Total R
Actual lease payments	1 634 105	–	1 634 105
Straight-line lease expenses	(1 634 105)	–	(1 634 105)
Deferred operating lease cash flows	–	–	–

### Future lease payments at 30 September 2013

	Up to 1 year R	2 – 5 years R	Total R
Actual lease payments	3 921 852	1 634 105	5 555 957
Straight-line lease expenses	(3 921 852)	(1 634 105)	(5 555 957)
Deferred operating lease cash flows	–	–	–

**Future lease payments at 30 September 2012**

	Up to 1 year R	2 – 5 years R	Total R
Actual lease payments	3 921 852	5 555 957	9 477 809
Straight-line lease expenses	(3 921 852)	(5 555 957)	(9 477 809)
Deferred operating lease cash flows	–	–	–

The group has leased a portion of the North Wing of the 9th Floor of Alice Lane Tower in Johannesburg from The Truzen Trust 35 for a period of five years effective from 1 August 2011. Rentals are fixed for a 12-month period increasing by 9% for floor space, parking and operating costs on 1 August each year. The 2013 lease payment for rentals and operating costs amounts to R91,920 (2012: R83,800) per month.

The group agreed to a cancellation of the contract with The Truzen Trust 35 effective 31 August 2014. The Company paid an amount of R714,330 to cancel the contract.

**Future lease payments at 30 September 2014**

	Up to 1 year R	2 – 5 years R	Total R
Actual lease payments	–	–	–
Straight-line lease expenses	–	–	–
Deferred operating lease cash flows	–	–	–

**Future lease payments at 30 September 2013**

	Up to 1 year R	2 – 5 years R	Total R
Actual lease payments	1 119 584	2 312 447	3 432 031
Straight-line lease expenses	(1 111 916)	(2 038 512)	(3 150 428)
Deferred operating lease cash flows	7 668	273 935	281 603

**Future lease payments at 30 September 2012**

	Up to 1 year R	2 – 5 years R	Total R
Actual lease payments	1 020 674	3 410 422	4 431 096
Straight-line lease expenses	(1 104 251)	(3 128 711)	(4 232 962)
Deferred operating lease cash flows	(83 577)	281 711	198 134

The group has leased a portion of the 2nd Floor of Newport House in Cape Town from Beret Properties Proprietary Limited for a period of five years effective from 1 May 2013. Rentals are fixed for a 60-month period with no increase over the lease period. The current lease payment for rentals and operating costs amounts to R88,726 (2013: R88,726 and 2012: Rnil) per month.

**Future lease payments at 30 September 2014**

	Up to 1 year R	2 – 5 years R	Total R
Actual lease payments	1 064 712	2 750 506	3 815 218
Straight-line lease expense	(1 064 712)	(2 750 506)	(3 815 218)
Deferred operating lease cash flows	–	–	–

### Future lease payments at 30 September 2013

	Up to 1 year R	2 – 5 years R	Total R
Actual lease payments	1 064 712	3 815 218	4 879 930
Straight-line lease expense	(1 064 712)	(3 815 218)	(4 879 930)
Deferred operating lease cash flows	–	–	–

The group has leased Unit 40 in the Katherine and West Building situated on Erf 16 Sandown, Johannesburg from Beret Properties Proprietary Limited for a period of five years effective from 1 March 2014. Rentals are fixed for a 60-month period with no increase over the lease period. The current lease payment for rentals and operating costs amounts to R304 143 per month.

### Future lease payments at 30 September 2014

	Up to 1 year R	2 – 5 years R	Total R
Actual lease payments	3 649 716	12 469 863	16 119 579
Straight-line lease expense	(3 649 716)	(12 469 863)	(16 119 579)
Deferred operating lease cash flows	–	–	–

## 18. FINANCIAL RISK MANAGEMENT

The group is exposed to a variety of financial risks. The most important components of financial risk are credit risk, liquidity risk and market risk (arising from changes in equity and bond prices, interest and foreign exchange rates). Market risk arises from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and/or conditions. The group's risk management programme focuses on the unpredictability of financial markets and seeks to limit potential adverse effects on the group, while operating within a framework that ensures alignment with the group's overall strategy and risk appetite. The responsibility for risk management rests with every individual in the group, including board members. The risk and compliance committee is empowered by the board to develop processes that ensure that significant risks are adequately identified, evaluated and managed, and effectively communicated to the various reporting structures.

#### *Capital risk management*

The group's asset management subsidiary and Linked Investment Services Provider (LISP) subsidiary are regulated businesses. The South African Financial Services Board (FSB), in terms of the Financial Advisory and Intermediary Services Act's (FAIS) Financial Soundness requirements, requires that the Company's assets (excluding goodwill, intangible assets and investments in Related Parties) exceed its liabilities (excluding loans validly subordinated in favour of all other creditors) by at least R3 million, the Company must maintain current assets which are at least sufficient to meet current liabilities, and the Company shall at all times maintain liquid assets equal to or greater than 13/52 weeks of annual expenditure.

#### *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligation or incur a change in its creditworthiness, resulting in a financial loss to the Company.

The group has no significant concentration of credit risk. The group has policies in place to ensure that it deals with clients with an appropriate credit history. Cash resources and longer term investments are limited to high credit quality financial institutions. The group has policies in place to limit the credit exposure to any one financial institution. The group has a history of very few bad debts.

For assets recognised on the balance sheet, the exposure to credit risk equals the carrying amount.

The following represents the maximum exposure, at the balance sheet date, to credit risk relating to these assets:

<b>ASSETS</b>		<b>2014</b>	<b>2013</b>	<b>2012</b>
		<b>R</b>	<b>R</b>	<b>R</b>
Accounts receivable and prepayments	(1)	<b>25 383 668</b>	15 199 441	14 099 680
Cash and cash equivalents	(3)	<b>31 280 573</b>	26 415 909	21 941 071
Investments	(2)	<b>2 037 648</b>	3 480 297	1 160 000 023
Loans receivable	(1)	<b>36 325</b>	–	–
Assets not subject to credit risk	(4)	<b>19 801 358</b>	13 276 740	10 781 546
		<b>78 539 572</b>	58 372 387	1 206 822 320

(1) Based on past experience, the group believes that no impairment allowance is necessary in respect of trade receivables and other receivables not past due as they relate to clients that have a good payment history.

(2) Includes investments in investment trading portfolio.

(3) Held at banks rated BBB-.

(4) Includes deferred taxation and furniture and equipment.

Of the movements shown above, no significant changes were caused by changes in credit risk exposures and the credit quality of the assets remains good.

There were no items identified as being either past due or impaired. The credit risk associated with amounts due from subsidiaries is assessed by evaluating the solvency of each subsidiary and ensuring that debts can be met.

#### Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The group manages its liquidity requirements by monitoring forecasted cash flows and has made arrangements for sufficient committed credit facilities.

The following tables detail maturity analysis of the Group's financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to settle the liability.

<b>LIABILITIES</b>	<b>On demand</b>	<b>Due within 12 months</b>	<b>Due within 1 – 5 years</b>	<b>Total</b>
<b>2014</b>				
Accounts payable and other accruals	–	<b>25 380 812</b>	–	<b>25 380 812</b>
Taxation payable	–	<b>1 052 155</b>	–	<b>1 052 155</b>
Value added taxation	–	<b>826 586</b>	–	<b>826 586</b>
	–	<b>27 259 553</b>	–	<b>27 259 553</b>
<b>2013</b>				
Accounts payable and other accruals	–	17 584 737	–	17 584 737
Taxation payable	–	759 649	–	759 649
Value added taxation	–	982 313	–	982 313
	–	19 326 699	–	19 326 699
<b>2012</b>				
Accounts payable and other accruals	–	13 838 006	–	13 838 006
Debenture interest	–	64 954 448	–	64 954 448
Debentures	–	898 357 552	–	898 357 552
Taxation payable	–	300 950	–	300 950
Value added taxation	–	1 136 112	–	1 136 112
	–	978 587 068	–	978 587 068

The group's income and cash flows are based mainly on contractual administration fees. The group does not have any variable-rate borrowings. The group's policy is to monitor cash requirement and invest surplus cash at market rate where appropriate.

*Market risk, interest rate risk and currency risk*

Market risk is the potential impact on earnings of unfavourable changes in foreign exchange rates, interest rates, prices, market volatilities and liquidity. A large portion of the group's income is derived from fees levied on the market value of the investments that it manages and administers. As the fees are dependent on the daily market value of the investments, any market movements affect the group accordingly. Market risk is mitigated through the diversification of investment mandates such that revenue is not overly exposed to any single sector of the investment market. Investment management capacity is monitored to ensure that the performance of a specific investment is not unduly compromised through excessive scale.

A 10% downturn in the value of the assets that the group manages and administers on behalf of clients would reduce the group's profit before taxation by R8,743,086 (2013: R7,385,580; 2012: R5,260,001).

The group is not exposed to foreign exchange rate risk.

*Interest rate risk*

The group is exposed to interest rate risk through its call accounts and current accounts with various local banking institutions.

The following represents the South African bank balances of the group:

	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<b>R</b>	<b>R</b>	<b>R</b>
Cash and cash equivalents	31 280 573	26 415 909	21 941 071

The impact of a 100 basis point move in local interest rates at balance sheet date would have increased/(decreased) after tax profit as follows:

	<b>100 basis point increase 2014 R</b>	<b>100 basis point decrease 2014 R</b>	<b>100 basis point increase 2013 R</b>	<b>100 basis point decrease 2013 R</b>	<b>100 basis point increase 2012 R</b>	<b>100 basis point decrease 2012 R</b>
Interest income	<b>225 220</b>	<b>(225 220)</b>	190 195	(190 195)	157 976	(157 976)

The group is not exposed to any significant amount of interest rate risk.

*Price risk*

Price risk arises from changes in the fair value of the group's client's assets under management. A large portion of the group's income is derived from portfolio management fees levied on the management of its clients' assets under management. As the portfolio management fees are dependent on the daily and monthly market value of these assets under management, any market movements affect the Group accordingly.

*Sensitivity analysis*

The analysis reflects the sensitivity of the Group's underlying constituents with that of its Index underlying constituents based on market capitalisation at 30 September 2014. The analysis is based on the assumption that the FTSE/JSE All Share Index was increased and decreased by 1% with all other variables held constant. An adjustment of 1% in the Index will result in the following movement in the profit after taxation.

	<b>2014 1% increase in index</b>	<b>2014 1% decrease in index</b>	<b>2013 1% increase in index</b>	<b>2013 1% decrease in index</b>	<b>2012 1% increase in index</b>	<b>2012 1% decrease in index</b>
Profit after taxation	<b>16 573</b>	<b>(16 573)</b>	28 306	(28 306)	-	-

## 19. FAIR VALUE

The fair values of all financial instruments approximate the carrying values reflected in the balance sheet.

*Fair value measurements recognised in the statement of financial position*

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those 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 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2014	Fair value	Valuation method	Significant unobservable inputs	Fair value hierarchy of inputs
<b>Financial assets at fair value through profit and loss</b>				
Investment in unit trusts	R2 037 648	Quoted net asset value per unit	N/A	Level 2
<b>2013</b>				
<b>Financial assets at fair value through profit and loss</b>				
Investment in unit trusts	R3 480 297	Quoted net asset value per unit	N/A	Level 2
<b>2012</b>				
<b>Financial assets at fair value through profit and loss</b>				
Investment in partnerships	R1 160 000 023	Quoted net asset value per unit	N/A	Level 2
<b>Financial liabilities at fair value through profit and loss</b>				
Debentures	R898 357 552	Amortised cost	N/A	Level 2

Categories of financial instruments

2014	Fair value through profit and loss	Loans and receivables	Non-financial assets	Total
ASSETS	R	R	R	R
Accounts receivable and prepayments	–	25 383 668	–	25 383 668
Cash and cash equivalents	–	31 280 573	–	31 280 573
Deferred tax	–	–	2 858 313	2 858 313
Furniture and equipment	–	–	15 621 791	15 621 791
Goodwill	–	–	379 155	379 155
Intangible asset	–	–	942 099	942 099
Investments	2 037 648	–	–	2 037 648
Loans receivable	–	36 325	–	36 325
	2 037 648	56 700 566	19 801 358	78 539 572

	Fair value through profit and loss	Financial liabilities amortised cost	Non-financial liabilities	Total
LIABILITIES	R	R	R	R
Accounts payable and other accruals	–	25 380 812	–	25 380 812
Taxation payable	–	–	1 052 155	1 052 155
Value added taxation	–	–	826 586	826 586
	–	25 380 812	1 878 741	27 259 553

	Fair value through profit and loss	Loans and receivables	Non-financial assets	Total
Income statement movements	R	R	R	R
Change in fair value of financial assets classified as held for trading	(183 548)	–	–	(183 548)
Realised profit of financial assets classified as held for trading	606 482	–	–	606 482
	422 934	–	–	422 934

<b>2013</b>	<b>Fair value through profit and loss</b>	<b>Loans and receivables</b>	<b>Non-financial assets</b>	<b>Total</b>
<b>ASSETS</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Accounts receivable and prepayments	–	15 199 441	–	15 199 441
Cash and cash equivalents	–	26 415 909	–	26 415 909
Deferred tax	–	–	367 555	367 555
Furniture and equipment	–	–	10 090 768	10 090 768
Goodwill	–	–	379 155	379 155
Intangible asset	–	–	2 439 262	2 439 262
Investments	3 480 297	–	–	3 480 297
	3 480 297	41 615 350	13 276 740	58 372 387

	<b>Fair value through profit and loss</b>	<b>Financial liabilities amortised cost</b>	<b>Non-financial liabilities</b>	<b>Total</b>
<b>LIABILITIES</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Accounts payable and other accruals	–	17 584 737	–	17 584 737
Taxation payable	–	–	759 649	759 649
Value added taxation	–	–	982 313	982 313
	–	17 584 737	1 741 962	19 326 699

	<b>Fair value through profit and loss</b>	<b>Loans and receivables</b>	<b>Non-financial assets</b>	<b>Total</b>
<b>Income statement movements</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Change in fair value of financial assets classified as held for trading	291 219	–	–	291 219
Realised profit of financial assets classified as held for trading	425 431	–	–	425 431
	716 650	–	–	716 650

<b>2012</b>	<b>Fair value through profit and loss</b>	<b>Loans and receivables</b>	<b>Non-financial assets</b>	<b>Total</b>
<b>ASSETS</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Accounts receivable and prepayments	–	14 099 680	–	14 099 680
Cash and cash equivalents	–	21 941 071	–	21 941 071
Deferred tax	–	–	528 203	528 203
Furniture and equipment	–	–	9 460 873	9 460 873
Goodwill	–	–	379 155	379 155
Intangible asset	–	–	28 189	28 189
Investment in hedge funds	1 160 000 023	–	–	1 160 000 023
Receiver of revenue	–	–	385 126	385 126
	1 160 000 023	36 040 751	10 781 546	1 206 822 320

	<b>Fair value through profit and loss</b>	<b>Financial liabilities amortised cost</b>	<b>Non-financial liabilities</b>	<b>Total</b>
<b>LIABILITIES</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Accounts payable and other accruals	–	14 885 558	–	14 885 558
Debenture interest	–	64 954 448	–	64 954 448
Debentures	898 357 552	–	–	898 357 552
Taxation payable	–	–	1 136 112	1 136 112
Value added taxation	–	–	300 950	300 950
	898 357 552	79 840 006	1 437 062	979 634 620

	<b>Fair value through profit and loss</b>	<b>Loans and receivables</b>	<b>Non-financial assets</b>	<b>Total</b>
<b>Income statement movements</b>	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Change in fair value of financial assets classified as held for trading	76 701 985	–	–	76 701 985
Realised profit of financial assets classified as held for trading	105 558 106	–	–	105 558 106
	182 260 091	–	–	182 260 091

## 20. 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.

## 21. RETIREMENT INFORMATION

All eligible staff are members of a non-contributory defined contribution fund, which is governed by the Pension Fund Act, 1956. No valuation is performed as the liabilities of the fund cannot exceed its assets. Other than ongoing contributions charged against income as incurred, the Group has no further retirement benefit obligation. Contributions to the provident fund during the period amounted to R4,124,710 (2013: R4,180,426 and 2012: R3,406,563).

At year-end the group was in the process of transferring the funds from the provident fund structure to individual retirement annuities. Applications have been submitted to the Financial Services Board for approval and the outcome of this will be determined in due course. Contributions to the provident fund ceased on 31 July 2014. All contributions from 1 August 2014 were made by employees in their personal capacity to the Sygnia Group Retirement Annuity Fund and not by the group on their behalf.

## 22. NUMBER OF EMPLOYEES

At the year-end the group had 106 employees (2013: 81 and 2012: 46).

## 23. CONTINGENT LIABILITY

At the year-end, Zamek Management Proprietary Limited, as the General Partner in the Sygnia Absolute LLP, Sygnia All Star LLP, Sygnia Signature LLP and Sygnia All Star Institutional LLP, is solely liable to the creditors of the partnerships and solely liable for all debts of the partnerships.

## 24. GUARANTEE

Sygnia Investment Holdings No 2 has issued irrevocable and enforceable guarantees to pay Sygnia Support Services and Izibuko Holdings all and any such sums as the board of directors of these companies may from time to time request and as may be necessary to ensure that the companies continues operating subsequent to the date of signing of the annual financial statements until net assets exceed net liabilities, and the creditors do not suffer any losses, whatsoever arising, for the same period.

Sygnia Asset Management has issued a guarantee over the facilities provided by Nedbank Limited to Sygnia Financial Services, limited to an amount of one hundred million rand.

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## REPORTING ACCOUNTANT'S REPORT ON THE REPORT OF HISTORICAL FINANCIAL INFORMATION OF SYGNIA INVESTMENT HOLDINGS NO 2

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"The Directors  
Sygnia Limited  
7th Floor, The Foundry  
Cardiff Street, Green Point  
8001

22 September 2015

Dear Sirs and Mesdames

### **Independent Reporting Accountant's Report on the Historical Financial Information included in the Pre-Listing Statement**

#### *Introduction*

The definitions commencing on page 5 of the Pre-Listing Statement to which this letter is attached apply *mutatis mutandis* to this report.

We have audited the historical financial information of Sygnia Investment Holdings No 2 Proprietary Limited ("the Company") in respect of the year ended 30 September 2014, set out in Annexure 1 of the Pre-Listing Statement. We have also reviewed the historical financial information of the Company in respect of the years ended 30 September 2013 and 30 September 2012 set out in Annexure 1 (collectively, the "Historical Financial Information"). The Historical Financial Information in respect of each annual period comprises the statement of financial position as at the year-end date, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the years then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

#### *Directors' responsibility for the Historical Financial Information*

The company's directors are responsible for the preparation and fair presentation of the Historical Financial Information in accordance with the Listings Requirements, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The JSE Listings Requirements require the Historical Financial Information in respect of each annual period to be prepared in accordance with the conceptual framework, the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and also, as a minimum, to be presented and contain the disclosures required by the JSE Listings Requirements.

#### *Reporting accountant's responsibility*

Our responsibility is to express an opinion or conclusion on the Historical Financial Information based on our audit or review.

We conducted our audit of the Historical Financial Information in accordance with International Standards on Auditing ("ISAs") and the review of the Historical Financial Information was conducted in accordance with International Standard on Review Engagements ("ISRE") 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. Both standards require that we comply with ethical requirements.

We plan and perform the audit to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the Historical Financial Information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Historical Financial Information.

ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the Historical Financial Information is not prepared in all material respects in accordance with the applicable financial reporting framework. A review is substantially less in scope than an audit conducted in accordance with the ISAs and consequently does not enable the auditor to obtain assurance that the auditor would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We believe that the evidence we have obtained in our audit or review is sufficient and appropriate to provide a basis for our opinion or conclusion respectively.

#### *Opinion*

In our opinion, the Historical Financial Information in respect of the year ended 30 September 2014 is prepared, in all material respects, in accordance with the Listings Requirements and IFRS, as set out in the notes to the Historical Financial Information.

#### *Conclusion*

Based on our review of the Historical Financial Information of the Company in respect of the years ended 30 September 2013 and 30 September 2012, nothing has come to our attention that causes us to believe that the Historical Financial Information of the Company is not prepared, in all material respects, in accordance with the Listings Requirements, as set out in the notes to the Historical Financial Information.

#### *Other information in the Pre-Listing Statement*

As required by paragraph 8.53 of the Listings Requirements, we have read the Pre-Listing Statement in which the Historical Financial Information is contained, for the purpose of identifying whether there are material inconsistencies between the Pre-Listing Statement and the Historical Financial Information which has been subject to audit. The Pre-Listing Statement is the responsibility of the directors. Based on reading the Pre-Listing Statement we have not identified material inconsistencies between this report and the Historical Financial Information which has been subject to audit. However, we have not audited the Pre-Listing Statement and accordingly do not express an opinion on it.

#### *Consent*

We consent to the inclusion of this report, which will form part of the Pre-Listing Statement to the shareholders of the Company, to be issued on or about 1 October 2015, in the form and context in which it appears.

#### **Deloitte & Touche**

##### *Registered Auditors*

Per Danie Crowther  
Partner  
Deloitte & Touche  
1st Floor, The Square, Cape Quarter,  
27 Somerset Road, Green Point,  
8005

**National executive:** \*LL Bam (*Chief Executive*), \*AE Swiegers (*Chief Operating Officer*), \*GM Pinnock (*Audit*), DL Kennedy (*Risk Advisory*), \*NB Kader (*Tax*), TP Pillay (*Consulting*), S Gwala (*BPaaS*), \*K Black (*Clients and Industries*), \*JK Mazzocco (*Talent and Transformation*), \*MJ Jarvis (*Finance*), \*M Jordan (*Strategy*), \*TJ Brown (*Chairman of the Board*) and MJ Comber (*Deputy Chairman of the Board*)

*\* Partner and Registered Auditor*

A full list of partners and directors is available on request.

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code

Member of Deloitte Touche Tohmatsu Limited"

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## REPORT OF HISTORICAL FINANCIAL INFORMATION OF SYGNIA LIFE

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### COMMENTARY ON THE HISTORICAL FINANCIAL INFORMATION OF SYGNIA LIFE

#### Financial overview for the 12 months ended 30 September 2014

Sygnia Life generated a profit before tax of R25.9 million. On 30 September 2014, Sygnia Life had an excess of overall admitted assets over total non-linked liabilities of R7,736,572 and a CAR cover of 1.13. This implies that Sygnia Life is financially sound in terms of section 29 of the Long-Term Insurance Act, 1998 as at 30 September 2014. Dividends of R5 million were declared and paid for the year ended 30 September 2014. There were no changes in the authorised or issued share capital of the company during the year under review.

#### Financial overview for the 12 months ended 30 September 2013

Sygnia Life generated a profit before tax of R22.2 million. On 30 September 2013, Sygnia Life had an excess of overall admitted assets over total non-linked liabilities of R362,393 and a CAR cover of 1.01. This implies that Sygnia Life is financially sound in terms of section 29 of the Long-Term Insurance Act, 1998 as at 30 September 2013. No dividends were paid for the year ended 30 September 2013.

#### Financial overview for the 12 months ended 30 September 2012

Sygnia Life generated a profit before tax of R16.1 million. On 30 September 2012, Sygnia Life had an excess of overall admitted assets over total non-linked liabilities of R48,031 and a CAR cover of 1.00. This implies that Sygnia Life is financially sound in terms of section 29 of the Long-Term Insurance Act, 1998 as at 30 September 2012. No dividends were paid for the year ended 30 September 2012.

### HISTORICAL FINANCIAL INFORMATION OF SYGNIA LIFE

The report below has been extracted from the audited financial information of Sygnia Life for the 12 months ended 30 September 2014, 30 September 2013 and 30 September 2012. The report is the responsibility of the Sygnia Board. The historical financial information for 2014 has been audited, and for 2013 and 2012 has been reviewed, by the Reporting Accountant and were reported on without qualification. Their report is included in Annexure 4.

These financial statements were prepared in accordance with the International Financial Reporting Standards Framework, the Listings Requirements and the Companies Act.

#### 1. MAIN BUSINESS AND OPERATIONS

##### *State of affairs*

Sygnia Life Limited ("the Company") provides linked investment products to institutional investors, individuals and other entities.

##### *Matters material for the shareholders to appreciate the state of affairs of the Company*

There are no other material matters for the shareholders to appreciate the state of affairs of the Company.

#### 2. EVENTS SUBSEQUENT TO THE REPORTING DATE

The directors are not aware of any matter or circumstances arising since the end of the financial period, other than the purchase of the shares of Sygnia Life described below which significantly affected the financial position of the group and Company or the results of their operations. With effect from 1 October 2014, Sygnia Investment Holdings No 2 bought all the ordinary shares in Sygnia Life from Sygnia Investment Holdings to create one group through a common control transaction.

3. **GOING CONCERN**

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. The 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.

4. **STATED CAPITAL**

The Company was incorporated with an authorised share capital of 1,000 ordinary shares of which 860 (2013: 860 and 2012: 800) shares were issued.

On 6 June 2013 the issued share capital of the Company was increased due to a share issue of 60 shares.

5. **OWNERSHIP**

The Company's ultimate holding company is Sygnia Investment Holdings which holds 100% of the issued share capital of the Company.

On 1 October 2014 Sygnia Investment Holdings sold all its shares in Sygnia Life to Sygnia Investment Holdings No 2 with effect from 1 October 2014. Sygnia Investment Holdings and Sygnia Investment Holdings No 2 are both domiciled in the Republic of South Africa.

6. **PREPARER OF FINANCIAL STATEMENTS**

Gabriel Louw Rabie CA(SA).

**STATEMENT OF FINANCIAL POSITION**  
**AT 30 SEPTEMBER 2014**

	Notes	2014 R	2013 R	2012 R
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS</b>				
		<b>21 349 687 398</b>	<b>19 057 016 141</b>	<b>17 820 234 046</b>
Deferred taxation	2	–	–	2 826 633
Furniture and equipment	3	<b>3 812 308</b>	2 752 632	2 156 980
Investments	4	<b>59 089 053</b>	43 017 473	16 132 285
Investments linked to investment contract liabilities	5.1	<b>21 286 786 037</b>	19 008 156 774	17 796 857 173
Loan receivable	8	–	3 089 262	2 260 975
<b>CURRENT ASSETS</b>				
		<b>186 989 683</b>	<b>122 795 085</b>	<b>125 996 877</b>
Accounts receivable and prepayments		<b>169 831 291</b>	103 229 991	91 467 918
Cash and cash equivalents	6	<b>10 592 758</b>	13 795 935	34 528 959
Deposit on purchase of investment property	7	<b>200 000</b>	–	–
Loans receivable	8	<b>6 365 634</b>	5 399 542	–
Taxation receivable		–	369 617	–
<b>TOTAL ASSETS</b>				
		<b>21 536 677 081</b>	<b>19 179 811 226</b>	<b>17 946 230 923</b>
<b>EQUITY AND LIABILITIES</b>				
<b>CAPITAL AND RESERVES</b>				
		<b>75 430 863</b>	<b>61 199 673</b>	<b>37 398 908</b>
Stated capital	9	<b>17 423 002</b>	17 423 002	800
Share premium	9	–	–	9 922 202
Retained earnings		<b>58 007 861</b>	43 776 671	27 475 906
<b>NON-CURRENT LIABILITIES</b>				
		<b>21 431 918 662</b>	<b>19 054 714 684</b>	<b>17 603 069 083</b>
Deferred taxation	2	<b>8 085 232</b>	3 422 708	–
Investment contract liabilities	5.2	<b>21 423 833 430</b>	19 051 291 976	17 598 072 576
Loan payable	10	–	–	4 996 507
<b>CURRENT LIABILITIES</b>				
		<b>29 327 556</b>	<b>63 896 869</b>	<b>305 762 932</b>
Accounts payable and other accruals	12	<b>28 657 674</b>	63 850 027	120 605 397
Contributions not yet allocated		–	–	184 807 989
Taxation payable		<b>623 642</b>	–	313 706
Value added taxation		<b>46 240</b>	46 842	35 840
<b>TOTAL EQUITY AND LIABILITIES</b>				
		<b>21 536 677 081</b>	<b>19 179 811 226</b>	<b>17 946 230 923</b>
Diluted weighted number of shares at the end of the year	16	860	818	800
Basic and diluted earnings per share (Rand)	16	22 362	19 918	14 623
Headline earning per share (Rand)	16	22 362	19 918	14 623
Net asset value per share (Rand)	16	87 710	74 779	46 749
Tangible net asset value per share (Rand)	16	87 710	74 779	46 749

<b>STATEMENT OF COMPREHENSIVE INCOME</b>		<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>FOR THE YEAR ENDED 30 SEPTEMBER 2014</b> Notes		<b>R</b>	<b>R</b>	<b>R</b>
<b>INCOME</b>		<b>27 389 728</b>	<b>23 381 376</b>	<b>16 970 358</b>
Management fees		<b>14 256 912</b>	13 651 559	12 473 111
Investment contract income	11.1	<b>2 865 527 645</b>	3 676 370 271	2 678 758 786
Transfer to investment contract liabilities	11.2	<b>(2 865 527 645)</b>	(3 676 370 271)	(2 678 758 786)
Transfer from tax reserve		<b>2 405 194</b>	1 722 870	1 235 104
Interest received		<b>2 396 372</b>	1 887 235	1 933 472
Other income	13	<b>8 331 250</b>	6 119 712	1 328 671
<b>EXPENSES</b>				
Operating expenses		<b>(1 391 912)</b>	(1 144 523)	(836 117)
<b>OPERATING PROFIT</b>		<b>25 997 816</b>	<b>22 236 853</b>	<b>16 134 241</b>
Finance costs		<b>(61 191)</b>	(283 321)	(42 401)
<b>OPERATING PROFIT BEFORE TAXATION</b>		<b>25 936 625</b>	<b>21 953 532</b>	<b>16 091 840</b>
Taxation	14	<b>(6 705 435)</b>	(5 652 767)	(4 393 613)
<b>NET PROFIT FOR THE YEAR</b>		<b>19 231 190</b>	<b>16 300 765</b>	<b>11 698 227</b>
Other comprehensive income		–	–	–
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>19 231 190</b>	<b>16 300 765</b>	<b>11 698 227</b>

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2014	Stated capital R	Share premium R	Retained earnings R	Total capital and reserves R
<b>Balance at 1 October 2011</b>	<b>800</b>	<b>9 922 202</b>	<b>15 777 679</b>	<b>25 700 681</b>
Total comprehensive income for the year	–	–	11 698 227	11 698 227
<b>Balance at 30 September 2012</b>	<b>800</b>	<b>9 922 202</b>	<b>27 475 906</b>	<b>37 398 908</b>
Transfer to stated capital	9 922 202	(9 922 202)	–	–
Share issue	7 500 000	–	–	7 500 000
Total comprehensive income for the year	–	–	16 300 765	16 300 765
<b>Balance at 30 September 2013</b>	<b>17 423 002</b>	<b>–</b>	<b>43 776 671</b>	<b>61 199 673</b>
Total comprehensive income for the year	–	–	19 231 190	19 231 190
Dividends paid	–	–	(5 000 000)	(5 000 000)
<b>Balance at 30 September 2014</b>	<b>17 423 002</b>	<b>–</b>	<b>58 007 861</b>	<b>75 430 863</b>

<b>STATEMENT OF CASH FLOWS</b>		<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>FOR THE YEAR ENDED 30 SEPTEMBER 2014</b>		<b>R</b>	<b>R</b>	<b>R</b>
	Notes			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash (utilised in)/generated by operations	17	<b>(70 557 822)</b>	(229 447 625)	250 148 699
Interest received		<b>2 396 372</b>	1 887 235	1 933 472
Interest paid		<b>(61 191)</b>	(283 321)	(42 401)
Taxation paid		<b>(4 769 814)</b>	(5 652 798)	(4 205 363)
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(72 992 455)</b>	<b>(233 496 509)</b>	<b>247 834 407</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Decrease/(increase) in loan receivable		<b>3 089 262</b>	(828 287)	–
Deposit paid for investment property		<b>(200 000)</b>	–	–
Net purchase of investments linked to investment contract liabilities		<b>(2 278 629 263)</b>	(1 211 299 601)	(3 675 096 590)
Net purchase of investments		<b>(20 825 458)</b>	(30 147 744)	(11 465 553)
Purchase of artwork		<b>(1 186 717)</b>	(683 776)	–
<b>Net cash outflow from investing activities</b>		<b>(2 297 752 176)</b>	<b>(1 242 959 408)</b>	<b>(3 686 562 143)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Increase/(decrease) in loan payable		–	(4 996 507)	4 996 507
Dividends paid		<b>(5 000 000)</b>	–	–
Increase/(decrease) in policyholder investment contracts		<b>2 372 541 454</b>	1 453 219 400	3 437 740 922
Share issue		–	7 500 000	–
<b>Net cash inflow from investing activities</b>		<b>2 367 541 454</b>	<b>1 455 722 893</b>	<b>3 442 737 429</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>				
Cash and cash equivalents at beginning of the year	6	<b>13 795 935</b>	34 528 959	30 519 266
<b>Cash and cash equivalents at end of the year</b>	<b>6</b>	<b>10 592 758</b>	<b>13 795 935</b>	<b>34 528 959</b>

## 1. ACCOUNTING POLICIES

### **General information**

Sygnia Life Limited (“the Company”) provides linked investment products to institutional investors, individuals and other entities.

### **Statement of compliance**

The Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 October 2012.

### **Basis of preparation**

The financial statements, which have been prepared on the going-concern basis, have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB), and the requirements of the South African Companies Act, 2008.

The annual financial statements are presented in South African Rand.

The preparation of the annual 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.

The financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments. The principal accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

### **Standards and interpretations affecting amounts reported in the current period (and/or prior periods)**

In the current year, the Company has applied a number of new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 October 2013.

IFRS 7 Financial Instruments: Disclosures (Amendment requires entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure) – effective annual periods beginning on or after 1 January 2013.

IFRS 10 Consolidated Financial Statements: (New standard that replaces the consolidation requirements in SIC 12: Consolidation of Special Purpose Entities and IAS 27: Consolidated and Separate Financial Statements Standard builds on existing principles by identifying the concepts of control as the determining factor whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess) – effective annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements: (New standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangement, rather than its legal form. Standard requires a single method for accounting for interests in jointly controlled entities) – effective annual periods beginning on or after 1 January 2013. (Amendments to the transition guidance of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, thus limiting the requirements to provide adjusted comparative information) – effective annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Interest in Other Entities: (New standard on disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.) – effective annual periods on or after 1 January 2013. (Amendments to the transition guidance of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, thus limiting the requirements to provide adjusted comparative information) – effective annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement: (New guidance on fair value measurement and disclosure requirements) – effective annual periods on or after 1 January 2013.

IAS 1 Presentation of Financial Statements: (Amendments clarifying the requirements for comparative information including minimum and additional comparative information required) – effective annual periods beginning on or after 1 January 2013.

IAS 27 Consolidated and Separate Financial Statements: (Consequential amendments resulting from the issue of IFRS 10,11 and 12) – effective annual periods beginning on or after 1 January 2013.

IAS 32 Financial Instruments: Presentation (Amendments require entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. Amendments were also made to clarify the tax effect of distributions to holders of equity instruments) – effective annual periods beginning on or after 1 January 2013.

### ***Standards and interpretations in issue not yet adopted***

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

IFRS 7 Financial Instruments: Disclosures (Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures) – effective annual periods beginning on or after 1 January 2015.

IFRS 9 Financial Instruments: (New standard that forms the first part of a three-part project to replace IAS 39 Financial instruments: Recognition and Measurement) – effective annual periods beginning on or after 1 January 2018.

IFRS 10 Consolidated Financial Statements: (Exception to the principal that all subsidiaries must be consolidated. Entities meeting the definition of "Investment Entities" must be accounted for at fair value under IFRS 9, Financial Instruments, or IAS 39, Financial Instruments: Recognition and Measurement.) – effective annual periods beginning on or after 1 January 2014.

IFRS 12 Disclosure of Interest in Other Entities: (New disclosures required for Investment Entities as defined in IFRS 10) – effective annual periods beginning on or after 1 January 2014.

IFRS 13 Fair Value Measurement: (Amendments resulting from Annual Improvements 2011 to 2013 Cycle (scope of the portfolio exception in paragraph 52)) – effective annual periods beginning on or after 1 July 2014.

IFRS 15: Revenue from Contracts with Customers: (New standard) – effective periods beginning on or after 1 January 2017.

IAS 16 Property, Plant and Equipment: (Amendments resulting from Annual Improvements 2011 to 2013 Cycle (proportionate restatement of accumulated depreciation on revaluation)) – effective annual periods beginning on or after 1 July 2014.

IAS 24: Related Party Disclosures: (Amendments resulting from Annual Improvements 2010-2012 Cycle (management entities)) – effective annual periods beginning on or after 1 July 2014.

IAS 27 Consolidated and Separate Financial Statements: (Requirement to account for interests in "Investment Entities" at fair value under IFRS 9, Financial Instruments, or IAS 39, Financial Instruments: Recognition and Measurement, in the separate financial statements of a parent) – effective annual periods beginning on or after 1 January 2014.

IAS 32 Financial Instruments: Presentation: (Amendments resulting from Annual Improvements 2009 – 2011 Cycle (tax effect of equity distributions)) – effective annual periods beginning on or after 1 January 2014.

IAS 36 Impairment of Assets: (The amendment to IAS 36 clarifies the required disclosures of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal) – effective annual periods beginning on or after 1 January 2014.

IAS 39 Financial Instruments: Recognition and Measurement: (Amendments for Novation of Derivatives and Continuation of Hedge Accounting) – effective annual periods beginning on or after 1 January 2014.

## **Furniture and equipment**

Furniture and equipment is stated at historical cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred. The useful life and residual value of all assets are reassessed annually.

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

Computer equipment	3 years
Artwork	25 years

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

## **Investment contract liabilities**

In terms of the definition of insurance contracts in IFRS 4, the contracts issued by Sygnia Life do not qualify as insurance contracts. These contracts are accounted for in terms of IAS 32 and IAS 39 on financial instruments. Amounts received under investment contracts are recorded as deposits and credited directly to investment contract liabilities. Amounts paid under investment contracts are recorded as deductions from investment contract liabilities.

Disclosure in the statement of comprehensive income has been made to reflect all income, including realised and unrealised profit, relating to policyholders into one line item called 'investment contract income' and all the expenses relating to policyholders into one line item called 'transfer to investment contract liabilities'. Disclosure in the statement of financial position has been made to reflect all the policyholder assets in one line item called 'investments linked to investment contracts'.

## **Taxation**

Income taxation expense represents the sum of the taxation currently payable and deferred taxation.

### *Current taxation*

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

### *Deferred taxation*

Deferred taxation is provided using the liability method on temporary differences arising between the taxation bases of assets and liabilities and their carrying values for financial accounting purposes. However, deferred taxation is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using taxation rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred taxation asset is realised or the deferred taxation liability is settled. Deferred taxation is charged or credited to profit or loss, except where it relates to items charged to or credited directly to equity, in which case the deferred taxation is also dealt with in equity.

Deferred taxation assets relating to the carrying forward of unused taxation losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused taxation losses can be utilised. The carrying amount of deferred taxation assets is reviewed at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred taxation assets and liabilities are offset when there is a legally enforceable right to set off current taxation assets against current taxation liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current taxation assets and liabilities on a net basis.

## **Financial instruments**

### *Recognition and derecognition of financial instruments*

Financial instruments are recognised when the Company becomes a party to the contractual provisions of the particular instrument. Financial instruments include all financial assets and financial liabilities but excludes taxation (deferred and current).

The Company de-recognises a financial asset when:

- The contractual rights to the cash flows arising from the financial assets have expired or been forfeited by the Company; or
- It transfers the financial asset including substantially all the risks and rewards of ownership of the asset; or
- It transfers the financial asset, neither retaining nor transferring substantially all the risks and rewards of ownership of the asset, but no longer retains control of the asset.

A financial liability is derecognised when the liability is extinguished, that is, when the obligation specified in the contract is discharged, cancelled or has expired.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recognised at trade date, which is the date that the Company commits to purchase or sell the asset. Otherwise such transactions are treated as derivatives until settlement occurs. Loans and receivables are recognised (at fair value plus attributable transaction costs) when cash is advanced to borrowers.

#### *Classification and measurement*

##### *Financial assets at fair value through profit or loss*

Financial assets are classified as at fair value through profit or loss where the financial asset is either held for trading or it is designated as at fair value through profit or loss.

##### *Financial assets held for trading*

A financial asset is classified in this category if acquired principally for the purpose of selling or buying back in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Measurement is initially at fair value with transaction costs taken directly to the statement of comprehensive income. Subsequently their fair values are remeasured and all gains and losses, realised and unrealised, are taken to the statement of comprehensive income in the period in which they arise, without any deduction for transaction costs it may incur on their disposal. Dividend income on financial assets held for trading is recognised in the statement of comprehensive income as dividend income.

##### *Designated upon initial recognition*

All financial assets that are held by the Company to back investment contract liabilities are designated by the Company on initial recognition as at fair value through profit or loss. This designation eliminates a measurement inconsistency that would otherwise arise if these financial assets were not measured at fair value and the changes in fair value were not recognised in the statement of comprehensive income since the investment contract liabilities are also measured at fair value.

Listed investments, including derivatives, are reflected in the statement of financial position at fair value, using ruling prices on share, futures and bond exchanges. Collective investment schemes are valued at the latest available published price. Insurance policy investments are valued at fair value as certified by the relevant assurers. Unlisted investments are valued by the directors taking into account prevailing interest rates, market conditions and underlying investments.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments, originated or acquired, that are not quoted in an active market and not designated on initial recognition as assets at fair value through profit or loss or as available-for-sale. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost.

Loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment losses. Any loss is charged to the statement of comprehensive income.

##### *Financial liabilities – investment contracts*

All investment contracts issued by the Company are designated by the Company on initial recognition as at fair value through profit or loss. This designation eliminates or significantly reduces a measurement inconsistency that would otherwise arise if these financial liabilities were not measured at fair value since the assets held to back the investment contract liabilities are also measured at fair value.

Changes in the fair value of investment contracts are included in the statement of comprehensive income in the period in which they arise.

### *Effective interest rate method*

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

### *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, and other money market assets with less than ninety days to maturity from the date of acquisition. For the purposes of the cash flow statement, cash and cash equivalents comprise balances due from banks.

### *Financial liabilities and equity instruments*

#### *Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

#### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

#### *Financial liabilities*

Financial liabilities are classified as either financial liabilities 'at fair value through profit and loss' or 'other financial liabilities'.

#### *Financial liabilities at fair value through profit and loss*

Financial liabilities are classified as at fair value through profit and loss where the financial liability is either held for trading or it is designated as at fair value through profit and loss.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit and loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

Financial liabilities at fair value through profit and loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. All financial liabilities issued by the Company are designated by the Company on initial recognition as at fair value through profit or loss. This designation eliminates a measurement inconsistency that would otherwise arise if these financial liabilities were not measured at fair value since the assets held to back the investment financial liabilities are also measured at fair value.

#### *Fair value measurement principles*

The Company has applied IFRS 13 for the first time in the current year. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

The Company has not made any new disclosures required by IFRS 13 for the 2013 comparative period, this is in accordance with the transitional provisions. Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the financial statements.

No hedge accounting is applied.

### **Offsetting**

Where a legally enforceable right of off-set exists for recognised financial assets and liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

**Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the directors' best estimate of the expenditure required to settle the present obligation at the reporting date using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

**Revenue**

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax. Fee income is comprised of the net amounts invoiced to clients for services rendered.

**Foreign exchange transactions**

Transactions in foreign currencies are accounted for at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the reporting date. Realised and unrealised exchange gains and losses relating to investment contract liabilities are recognised in investment contract income in the period in which they occur.

**Impairment**

The carrying amount of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

**Dividends**

Dividends payable to holders of equity instruments of the Company are recognised in the period in which they are declared.

## 2. DEFERRED TAXATION

	2014 R	2013 R	2012 R
Deferred taxation liability – Unrealised profit on investments	1 561 332	673 941	64 931
Deferred taxation liability/(asset) – Unrealised profit on investment contract assets	6 559 658	2 839 497	(2 726 552)
	<b>8 120 990</b>	3 513 438	(2 661 621)
Deferred taxation asset – Income received in advance	(35 758)	(90 730)	(165 012)
	<b>8 085 232</b>	3 422 708	(2 826 633)
<i>Reconciliation between deferred taxation opening and closing balances</i>			
Deferred tax liability/(asset) at beginning of the year	3 422 708	(2 826 633)	(4 133 338)
Decrease in income received in advance	54 972	74 282	118 904
Unrealised profit on investments	887 391	609 010	(99 943)
Unrealised profit on investment contract assets	3 720 161	5 566 049	1 287 744
Deferred tax liability/(asset) at end of the year	<b>8 085 232</b>	3 422 708	(2 826 633)

## 3. FURNITURE AND EQUIPMENT

2014	Computer equipment R	Artwork R	Total R
<b>At cost</b>			
Opening balance at 1 October 2013	20 918	3 067 061	3 087 979
Additions	–	1 186 717	1 186 717
Written off	(20 918)	–	(20 918)
Closing balance at 30 September 2014	–	4 253 778	4 253 778
<b>Accumulated depreciation</b>			
Opening balance at 1 October 2013	20 918	314 429	335 347
Depreciation	–	127 041	127 041
Written off	(20 918)	–	(20 918)
Closing balance at 30 September 2014	–	441 470	441 470
Net book value at 30 September 2014	–	3 812 308	3 812 308

<b>2013</b>	<b>Computer equipment R</b>	<b>Artwork R</b>	<b>Total R</b>
<b>At cost</b>			
Opening balance at 1 October 2012	20 918	2 383 285	2 404 203
Additions	–	683 776	683 776
Closing balance at 30 September 2013	20 918	3 067 061	3 087 979
<b>Accumulated depreciation</b>			
Opening balance at 1 October 2012	20 918	226 305	247 223
Depreciation	–	88 124	88 124
Closing balance at 30 September 2013	20 918	314 429	335 347
Net book value at 30 September 2013	–	2 752 632	2 752 632
<b>2012</b>			
<b>At cost</b>			
Opening balance at 1 October 2011	20 918	2 383 285	2 404 203
Additions	–	–	–
Closing balance at 30 September 2012	20 918	2 383 285	2 404 203
<b>Accumulated depreciation</b>			
Opening balance at 1 October 2011	20 918	138 180	159 098
Depreciation	–	88 125	88 125
Closing balance at 30 September 2012	20 918	226 305	247 223
Net book value at 30 September 2012	–	2 156 980	2 156 980

#### 4. INVESTMENTS

	<b>2014 R</b>	<b>2013 R</b>	<b>2012 R</b>
Collective Investment Schemes	<b>52 143 957</b>	37 049 627	13 259 036
Listed equity	<b>6 945 096</b>	5 967 846	2 873 249
	<b>59 089 053</b>	43 017 473	16 132 285

All equity investments are listed and are stated at fair value. A register of investments is available for inspection at the registered address of the Company in terms of the provisions of the Companies Act, 2008.

## 5. INVESTMENT CONTRACT INVESTMENTS AND LIABILITIES

### 5.1 INVESTMENTS LINKED TO INVESTMENTS CONTRACT LIABILITIES

	2014	2013	2012
	R	R	R
Domestic equities	5 336 995 919	4 147 084 499	3 886 858 170
Fixed interest securities	1 441 348 631	1 384 102 930	1 656 289 661
Collective investment schemes	4 984 699 827	2 712 789 109	1 648 154 319
Debentures	24 839 334	23 415 019	1 010 135 354
Hedge funds	1 146 308 854	1 145 278 234	163 589 613
International investments			
Collective investment schemes	1 618 667 229	2 971 304 881	2 464 665 714
Investments in insurance policies	298 834 285	295 509 467	310 594 744
Investments in insurance policies	5 933 522 026	5 925 832 725	5 998 572 497
Cash and cash equivalents	501 569 932	402 839 910	657 997 101
	<b>21 286 786 037</b>	19 008 156 774	17 796 857 173

A register of investments is available for inspection at the registered address of the Company in terms of the provisions of the Companies Act.

#### *Derivative contracts*

Exchange traded futures and options contracts are entered into for both long and short positions. The positions are covered by an initial margin deposit. Fair value movements are hedged by variation margin payments which are settled on a daily basis. The total derivatives exposure at year-end was a long position of R177,088,380 (2013: R162,909,842; 2012: R240,662,361) and short position of R49,112,061 (2013: R18,508,773; 2012: R83,529,546).

### 5.2 INVESTMENT CONTRACT LIABILITIES

	2014	2013	2012
	R	R	R
Balance at the beginning of the year	19 051 291 976	17 598 072 576	14 160 331 654
Contributions	5 135 749 781	5 269 339 914	4 741 175 445
Service fee reinvested	956 441	1 153 458	11 656
Net investment income (note 11.1)			
Interest	250 784 938	288 211 310	240 771 994
Dividends from listed investments	207 273 456	183 177 998	186 464 966
Foreign exchange profit	53 046 906	80 275 635	27 381 551
Premium rebate from life insurance policy investment	786 670	1 318 403	2 094 475
Fund balance adjusted for gross fund inflows	24 699 890 168	23 421 549 294	19 358 231 741
Withdrawals	(5 397 819 958)	(7 236 480 658)	(3 785 354 206)
Management fees	(165 028 010)	(182 019 148)	(131 550 900)
Portfolio expenses	(54 903 596)	(62 727 613)	(57 684 579)
Taxation	(2 553 636)	(1 197 709)	(367 858)
Unutilised taxation losses transferred to Corporate fund	(2 405 194)	(1 722 870)	(1 235 104)
Deferred taxation	(3 720 161)	(5 566 049)	(1 287 744)
Commission paid by policyholders			
Initial	(786 670)	(1 318 402)	(2 094 475)
Ongoing	(2 475 188)	(2 611 794)	(2 630 099)
Net realised and unrealised changes in fair value of investments	2 353 635 675	3 123 386 925	2 222 045 800
Total policyholder investment contract liabilities	<b>21 423 833 430</b>	19 051 291 976	17 598 072 576

There have been no changes to the credit risk of the policyholder investment contract liabilities during the current year (2013: No change; 2012: no change). As all policies are linked policies, the carrying amount of the liability is at all times equal to the underlying investments that would be required to be paid out on maturity.

## 6. CASH AND CASH EQUIVALENTS

	2014	2013	2012
	R	R	R
Cash at bank and on deposit	10 592 758	13 795 935	34 528 959

Cash and cash equivalents comprise balances with banks. It excludes cash balances held in policyholder investment portfolios. Cash and cash equivalents include an amount of R10.5 million (2013: R13.7 million; 2012: R34.5 million) which is part of the minimum capital required to be held by the Company in terms of the Long Term Insurance Act.

## 7. CAPITAL COMMITMENTS

Capital commitments contracted but not provided for in the financial statements are as follows:

	2014	2013	2012
	R	R	R
Purchase of a sectional title unit	5 120 000	–	–

On 17 September 2014, the Company entered into an agreement to purchase an investment property for a consideration of R5,120,000. As at the financial year-end, the Company has paid a deposit of R200,000 representing 4% of the purchase consideration of the said property. Settlement of the balance outstanding is pending fulfilment of certain suspensive conditions including the transfer of the sectional title unit.

## 8. LOANS RECEIVABLE

	2014	2013	2012
	R	R	R
Sygnia Investment Holdings Proprietary Limited	–	613	–
Beret Properties Proprietary Limited	2 365 595	5 398 929	–
Widok Properties Proprietary Limited	4 000 039	3 089 262	2 260 975
	<b>6 365 634</b>	8 488 804	2 260 975
Non-current asset	–	3 089 262	2 260 975
Current asset	6 365 634	5 399 542	–
	<b>6 365 634</b>	8 488 804	2 260 975

The loan to Sygnia Investment Holdings was unsecured, bore no interest and had no fixed repayment terms.

The loan to Beret Properties is unsecured and bears interest at the prime interest rate less 0.5%. There are no fixed repayment terms.

The loan to Widok Properties is unsecured, bears interest at the prime interest rate less 0.5% and is repayable in monthly instalments over 20 years with final payment in May 2030.

## 9. STATED CAPITAL

	2014 R	2013 R	2012 R
<b>Authorised</b>			
1 000 ordinary shares of no par value (2013: ordinary shares of no par value; 2012: 1 000 ordinary shares of R1.00 each)			
<b>Issued</b>			
860 ordinary shares of no par value (2013: 860 ordinary shares of no par value; 2012: 800 ordinary shares of R1.00 each)			
	17 423 002	17 423 002	800
Share premium	–	–	9 922 202
<b>Stated capital</b>	<b>17 423 002</b>	17 423 002	9 923 002

The unissued shares at 30 September 2014 are under the control of the directors until the next annual general meeting.

With effect from 1 October 2014, Sygnia Investment Holdings No 2 bought all the ordinary shares in Sygnia Life from Sygnia Investment Holdings to create one group through a common control transaction.

## 10. LOAN PAYABLE

	2014 R	2013 R	2012 R
Sygnia Investment Holdings	–	–	4 996 507

The loan from Sygnia Investment Holdings was unsecured, bore interest at the prime overdraft rate and was repayable on demand from Sygnia Investment Holdings, provided that Sygnia Life still meets its Minimum Capital Adequacy Requirements in terms of the legislation applicable after the repayment.

## 11. INVESTMENT CONTRACT INCOME AND TRANSFERS

### 11.1 Investment contract income

	2014 R	2013 R	2012 R
Realised and unrealised gains on policy holder investments	2 353 635 675	3 123 386 925	2 222 045 800
Investment income			
Interest	250 784 938	288 211 310	240 771 994
Dividends from listed investments	207 273 456	183 177 998	186 464 966
Foreign exchange profit	53 046 906	80 275 635	27 381 551
Premium rebate from life insurance policy investment	786 670	1 318 403	2 094 475
Current year actual premium rebate	–	–	97 871
Current year adjustment for amortisation of premium rebate	786 670	1 318 403	1 996 604
<b>Total investment contract income</b>	<b>2 865 527 645</b>	3 676 370 271	2 678 758 786

## 11.2 Transfer to investment contract liabilities

	2014 R	2013 R	2012 R
Management fees	165 028 010	182 019 148	131 550 900
Management fee rebate	(956 441)	(1 153 458)	(11 656)
Portfolio expenses	54 903 596	62 727 613	57 684 579
Taxation	2 553 636	1 197 709	367 858
Deferred taxation	3 720 161	5 566 049	1 287 744
Unutilised CGT losses transferred to Corporate fund	2 405 194	1 722 870	1 235 104
Commission paid by policyholders			
Initial commission	786 670	1 318 403	2 094 475
Current year actual initial commission	–	–	97 871
Current year adjustment for amortisation of commission	786 670	1 318 403	1 996 604
Ongoing commission	2 475 188	2 611 794	2 630 099
Growth on policyholder liabilities	2 634 611 631	3 420 360 143	2 481 919 683
<b>Total transferred to investment contract liabilities</b>	<b>2 865 527 645</b>	<b>3 676 370 271</b>	<b>2 678 758 786</b>

## 12. ACCOUNTS PAYABLE AND OTHER ACCRUALS

	2014 R	2013 R	2012 R
Initial fee amortisation	657 816	1 640 814	3 242 087
Management fee accrual	12 939 777	12 086 357	11 625 244
Audit fee accrual	406 046	319 217	310 080
Sundry creditors	747 881	549 756	445 134
Trade creditors	4 501 904	3 193 622	3 739 601
Unsettled trades	9 404 250	46 060 261	101 243 251
	<b>28 657 674</b>	<b>63 850 027</b>	<b>120 605 397</b>

## 13. OTHER INCOME

	2014 R	2013 R	2012 R
Bank charges recovered	42 432	56 316	43 040
Net investment income	8 288 818	6 063 396	1 278 449
Sundry income	–	–	7 182
	<b>8 331 250</b>	<b>6 119 712</b>	<b>1 328 671</b>

#### 14. OPERATING PROFIT BEFORE TAXATION

	2014 R	2013 R	2012 R
Depreciation	127 041	88 124	88 125
Artwork	127 041	88 124	88 125
Auditor's remuneration	469 892	328 337	353 639
Audit fees – current period	406 046	328 337	313 215
Other services – taxation	63 846	–	40 424
Directors' emoluments			
Remuneration	333 600	273 333	146 000
<i>Remuneration paid to directors and prescribed officers</i>			
Directors			
SJ Mkhwanazi	63 500	60 000	60 000
HI Borhat	126 600	120 000	86 000
DI Johnson	63 500	60 000	–
LM Khangala	80 000	33 333	–
	333 600	273 333	146 000

#### 15. TAXATION

	2014 R	2013 R	2012 R
South African normal taxation			
Current taxation – current year	5 763 073	4 969 475	4 247 873
Deferred taxation – current year	942 362	683 292	145 740
	6 705 435	5 652 767	4 393 613
<b>Reconciliation of tax rate</b>	<b>%</b>	<b>%</b>	<b>%</b>
Standard rate	28.00	28.00	28.00
Non-taxable income/non-deductible expenses	(2.15)	(2.25)	(0.70)
Effective rate	25.85	25.75	27.30

## 16. EARNINGS PER SHARE

	2014 R	2013 R	2012 R
The calculation of earnings per share is based on the following:			
Profit attributable to ordinary shareholders:	19 231 190	16 300 765	11 698 227
Headline earnings	19 231 190	16 300 765	11 698 227
The calculation of the weighted average number of shares is as follows:			
Number of shares at the beginning of year	860	800	800
Weighted number of shares issued during the year	–	18	–
Weighted number of shares at end of year	860	818	800
Diluted weighted number of shares at the end of the year	860	818	800
Basic and diluted earnings per share (Rand)	22 362	19 918	14 623
Headline earnings per share (Rand)	22 362	19 918	14 623
Net asset value per share (Rand)	87 710	74 779	46 749
Tangible net asset value per share (Rand)	87 710	74 779	46 749

## 17. CASH (UTILISED IN)/GENERATED BY OPERATIONS

	2014 R	2013 R	2012 R
<b>Operating profit before taxation</b>	<b>25 936 625</b>	<b>21 953 532</b>	<b>16 091 840</b>
Adjusted for:			
Investment contract income	<b>(2 865 527 645)</b>	(3 676 370 271)	(2 678 758 786)
Transfer to investment contract liabilities	<b>2 865 527 645</b>	3 676 370 271	2 678 758 786
Fair value adjustment to investments	<b>4 753 878</b>	3 262 556	391 479
Deferred tax included in investment contract income	<b>3 720 162</b>	5 566 049	1 160 965
Depreciation	<b>127 041</b>	88 124	88 125
Interest received	<b>(2 396 372)</b>	(1 887 235)	(1 933 472)
Interest paid	<b>61 191</b>	283 321	42 401
<b>Operating cash flows before changes in working capital</b>	<b>32 202 525</b>	<b>29 266 347</b>	<b>15 841 338</b>
Working capital changes	<b>(102 760 347)</b>	(258 713 972)	234 307 361
(Increase)/Decrease in accounts receivable and prepayments	<b>(66 601 300)</b>	(11 762 073)	7 837 913
(Decrease)/Increase in contributions not yet allocated	–	(184 807 989)	184 807 989
Increase in loans receivable	<b>(966 092)</b>	(5 399 542)	(661 078)
(Decrease)/Increase in value added taxation	<b>(602)</b>	11 002	154 942
(Decrease)/Increase in accounts payable and provisions	<b>(35 192 353)</b>	(56 755 370)	42 167 595
<b>Cash (utilised in)/generated by operations</b>	<b>(70 557 822)</b>	<b>(229 447 625)</b>	<b>250 148 699</b>



	2014		2013		2012	
	Investment in related party R	Amount owed (to)/by related party R	Investment in related party R	Amount owed (to)/by related party R	Investment in related party R	Amount owed (to)/by related party R
Sygnia All Star Limited Liability Partnership	(5)	34 219 963	41 010 401	-	32 805 326	-
Sygnia All Star Institutional Limited Liability Partnership	(5)	211 530 074	152 437 349	-	143 359 536	-
Sygnia Absolute Limited Liability Partnership	(5)	169 257 113	171 354 954	-	-	-
Sygnia Signature Limited Liability Partnership	(5)	718 208 143	760 745 320	-	-	-
Sygnia CPI + 2% Fund	(6)	37 599 453	-	-	-	-
Sygnia CPI + 4% Fund	(6)	66 745 784	-	-	-	-
Sygnia CPI + 6% Fund	(6)	30 072 272	5 281 221	-	-	-
Sygnia Divi Index Fund	(6)	2 372 172	-	-	-	-
Sygnia Equity Fund	(6)	10 794 811	11 153 000	-	-	-
Sygnia International Flexible Fund of Funds	(6)	2 171 821 676	-	-	-	-
Sygnia Listed Property Index Fund	(6)	250 468 207	-	-	-	-
Sygnia Skeleton Balanced 40 Fund	(6)	10 135 831	-	-	-	-
Sygnia Skeleton Balanced 60 Fund	(6)	5 152 500	-	-	-	-
Sygnia Skeleton Balanced 70 Fund	(6)	8 382 515	10 030 000	-	-	-
Sygnia SWIX Index Fund	(6)	722 658	-	-	-	-
Sygnia Top 40 Index Fund	(6)	3 313 830	-	-	-	-
	2014		2013		2012	
	Distributions from related party R	Amount owed (to)/by related party R	Distributions from related party R	Amount owed (to)/by related party R	Distributions from related party R	Amount owed (to)/by related party R
Sygnia Alpha Investments (Pty) Ltd	(7)	-	-	-	7 595 337	229 144 040
Sygnia Beta Investments (Pty) Ltd	(7)	-	-	-	7 595 337	229 143 840
Sygnia Delta Investments (Pty) Ltd	(7)	-	-	-	7 595 337	229 142 840
Sygnia Gamma Investments (Pty) Ltd	(7)	-	-	-	7 595 337	229 144 040

	2014		2013		2012	
	Non-interest income earned	Amount owed (to)/by related party	Non-interest income earned	Amount owed (to)/by related party	Non-interest income earned	Amount owed (to)/by related party
	R	R	R	R	R	R
African Harvest Absolute Fund Trust	(8)	-	-	-	24 464 506	11 685 161
African Harvest Relative Fund Trust	(8)	-	-	-	24 464 506	11 685 161
African Harvest Shared Fund Trust	(8)	-	-	-	24 464 506	11 685 161
Sygnia Delta Trust	(8)	-	-	-	24 464 506	11 685 161

1. The Company provides investment advisor and portfolio management services to Sygnia Life (Common control).

2. Sygnia Life provides underwriting services to Sygnia Asset Management (Common control).

3. Sygnia Investment Holdings was the shareholder of Sygnia Life up to 30 September 2014.

4. Sygnia Life's ultimate shareholders are directors of Widok Properties and Beret Properties.

5. Sygnia Life has an investment in the partnership.

6. Sygnia Life's ultimate shareholders are directors of Sygnia Collective Investments RF which markets and administer the Sygnia Collective Investment scheme which includes various funds.

7. Sygnia Life was a debenture holder of the Company.

8. Sygnia Life was a beneficiary of the trust.

All amounts due to or by related parties are unsecured, have no fixed terms of repayment and are interest free (except the amounts due by Widok Properties and Beret Properties). For amounts due by Widok Properties and Beret Properties, interest is payable on the capital amount at the prime interest rate less 0.5%.

No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

The following directors are policyholders of Sygnia Life. The policies had the following value at year end:

	2014		2013		2012	
	Non-interest income earned	Amount owed (to)/by related party	Non-interest income earned	Amount owed (to)/by related party	Non-interest income earned	Amount owed (to)/by related party
	R	R	R	R	R	R
M Wierzycka		2 511 919		4 148 287		3 367 769
S Peile		4 815 551		3 830 529		2 535 207
The Zatoka Trust (M Wierzycka and S Peile are trustees and beneficiaries)		31 770 904		42 452 919		36 314 215

M Wierzycka and S Peile are related parties to each other, are directors of and have a significant ownership interest in many of the related party entities above.

No remuneration is paid to key management personnel.

## 19. FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks. The most important components of financial risk are credit risk, liquidity risk and market risk (arising from changes in equity and bond prices, interest and foreign exchange rates). Market risk arises from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and/or conditions. The Company's risk management programme focuses on the unpredictability of financial markets and seeks to limit potential adverse effects on the Company, while operating within a framework that ensures alignment with the Company's overall strategy and risk appetite. The responsibility for risk management rests with every individual in the Group, including board members. The risk and compliance committee is empowered by the board to develop processes that ensure that significant risks are adequately identified, evaluated and managed, and effectively communicated to the various reporting structures.

### *Financial risk management strategy and policy*

The Company operates a risk management framework containing the following components:

- a dedicated governance committee with oversight of risk management;
- a risk management committee (including an investment management sub-committee); and
- methodologies that focus on risk identification, risk measurement, risk assessment, action plans, monitoring and reporting.

The capital requirements of the Company is set out by legislation and is defined as a percentage of policyholder liabilities. The adequacy percentage of capital is monitored by management on a regular basis and the position reported to the Financial Services Board.

The regulatory capital position of the Company's long-term insurance operations is as follows:

	2014	2013	2012
	R	R	R
Equity shareholders' fund	75 430 863	61 199 673	37 398 908
Inadmissible assets	(6 940 312)	(5 180 877)	–
Subordinated loan from shareholder	–	–	4 996 507
Total available capital resources	68 490 551	56 018 796	42 395 415
Total capital requirements – regulatory basis	60 753 979	55 656 404	42 347 384
<b>Overall excess of capital resources over requirements</b>	<b>7 736 572</b>	<b>362 392</b>	<b>48 031</b>
Capital position as at 1 October	56 018 796	42 395 415	25 700 681
Earnings after tax	19 231 190	16 300 765	11 698 227
Share issue	–	7 500 000	–
Dividend paid	(5 000 000)	–	–
Change in admissible assets	(1 759 435)	(5 180 877)	–
Change in subordinated loan from shareholder	–	(4 996 507)	4 996 507
<b>Capital position as at 30 September</b>	<b>68 490 551</b>	<b>56 018 796</b>	<b>42 395 415</b>

At 30 September 2014, the Company's excess assets was 1.13 times (2013: 1.01; 2012: 1.001) the Statutory Capital Adequacy Requirements.

### Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligation or incur a change in its creditworthiness, resulting in a financial loss to the Company.

**Corporate:** The Company has no significant concentration of credit risk. The Company has policies in place to ensure that it deals with counterparties with an appropriate credit history. Cash resources and longer term investments are limited to high credit quality financial institutions. The Company has policies in place to limit the credit exposure to any one financial institution. The Company has a history of very few bad debts. At 30 September 2014 the directors did not consider there to be any significant concentrations of credit risk which had not been adequately provided for.

For assets recognised on the statement of financial position, the exposure to credit risk equals the carrying amount.

The following represents the maximum exposure, at the reporting date, to credit risk relating to these assets.

		2014	2013	2012
		R	R	R
<b>ASSETS</b>				
Accounts receivable, prepayments and deposit	(1)	4 461 427	4 757 539	3 480 303
Loan receivable	(1)	6 365 634	8 488 804	2 260 975
Cash and cash equivalents	(2)	10 592 758	13 795 935	34 528 959
Assets not subject to credit risk		62 901 361	45 770 105	21 115 898
		<b>84 321 180</b>	72 812 383	61 386 135

1. Based on past experience, the Company believes that no impairment allowance is necessary in respect of accounts receivable not past due as they relate to clients and group companies that have a good payment and credit history.

2. Held at Nedbank rated BBB.

Of the movements shown above, no significant changes were caused by changes in credit risk exposures and the credit quality of the assets remain good. There were no items identified as being either past due or impaired.

**Policyholders:** Potential concentrations of credit risk consist principally of debentures, fixed interest securities and investments in insurance contracts. All investments made are reviewed by management and are with entities with a high credit standing. The liability to policyholders is linked to the value of the assets held. Credit risk is assumed by the policyholder.

		2014	2013	2012
		R	R	R
<b>ASSETS</b>				
Accounts receivable and prepayments	(1)	165 569 864	98 472 452	87 987 615
Assets not subject to credit risk		21 286 786 037	19 008 156 774	17 796 857 173
		<b>21 452 355 901</b>	19 106 629 226	17 884 844 788

1. Based on past experience, the Company believes that no impairment allowance is necessary in respect of accounts receivable not past due as they relate to clients and group companies that have a good payment and credit history.

### Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Company manages its liquidity requirements by monitoring forecasted cash flows and has made arrangements for sufficient committed credit facilities.

The following tables detail maturity analysis of the Company's financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

	On demand R	Due within 12 months R	Due within 1 – 5 years R	Total R
<b>2014</b>				
Accounts payable and other accruals	–	28 703 914	–	28 703 914
Investment contract liabilities	21 423 833 430	–	–	21 423 833 430
	21 423 833 430	28 703 914	–	21 452 537 344
<b>2013</b>				
Accounts payable and other accruals	–	63 896 869	–	63 896 869
Investment contract liabilities	19 051 291 976	–	–	19 051 291 976
	19 051 291 976	63 896 869	–	19 115 188 845
<b>2012</b>				
Accounts payable and other accruals	–	120 641 237	–	120 641 237
Contributions not yet allocated	–	184 807 989	–	184 807 989
Investment contract liabilities	17 598 072 576	–	–	17 598 072 576
Loan payable	–	–	4 996 507	4 996 507
	17 598 072 576	305 449 226	4 996 507	17 908 518 309

#### *Cash flow risk*

The Company's income and cash flows are based mainly on management fees and income from the investment of its statutory capital. The Company does not have any variable rate borrowings. The Company's policy is to monitor cash requirements and invest surplus cash at market rates where appropriate.

#### *Market risk, interest rate risk and currency risk*

Market risk is the potential impact of unfavourable changes in foreign exchange rates, interest rates, prices, market volatilities and liquidity. Investment risk arises from changes in the fair value of investments.

**Corporate:** The main market risk and currency risk faced by the Company is the effect of volatility from equity markets and changes in interest rates and foreign exchange rates on its offshore bank accounts. At 30 September 2014 the Company's directors did not consider these risks to be material to the Company's operations.

The analysis reflects the sensitivity of the Company's underlying constituents with that of its Index underlying constituents based on market capitalisation at 30 September 2014. The analysis is based on the assumption that the FTSE/JSE All Share Index was increased and decreased by 1% with all other variables held constant. An adjustment of 1% in the Index will result in the following movement in the profit after taxation.

	2014 1% increase in index R	2014 1% decrease in index R	2013 1% increase in index R	2013 1% decrease in index R	2012 1% increase in index R	2012 1% decrease in index R
Profit after taxation	480 591	(480 591)	349 875	(349 875)	42 601	(42 601)

	2014	2013	2012
Currency exposure	R	R	R
USD	763 403	105 549	4 478 298
EUR	156 372	214	16 137
GBP	731 599	1 612 684	112 640
	1 651 374	1 718 447	4 607 075

The impact on after tax profit and loss of 10% increase/(decrease) in the various exchange rates is as follows:

	10% increase	10% decrease	10% increase	10% decrease	10% increase	10% decrease
	2014	2014	2013	2013	2012	2012
	R	R	R	R	R	R
USD	54 965	(54 965)	7 600	(7 600)	322 437	(322 437)
EUR	11 259	(11 259)	15	(15)	1 162	(1 162)
GBP	52 675	(52 675)	116 113	(116 113)	8 110	(8 110)
	118 899	(118 899)	123 728	(123 728)	331 709	(331 709)

The majority of this exchange rate risk is passed on to the policyholder once their policy is issued.

The Company is exposed to interest rate risk through its call accounts and current accounts with various local banking institutions and related party loans.

The following represents the South African interest bearing accounts and balances of the Company:

	2014	2013	2012
	R	R	R
Cash and cash equivalents	8 941 384	12 077 488	29 921 884
Loan – Beret Properties Proprietary Limited	2 365 595	5 398 929	–
Loan – Widok Properties Proprietary Limited	4 000 039	3 089 262	2 260 975
	15 307 018	20 565 679	32 182 859

The impact of a 100 basis point move in local interest rates at the reporting date would have increased/(decreased) after tax profit as follows:

	100 basis point increase	100 basis point decrease	100 basis point increase	100 basis point decrease	100 basis point increase	100 basis point decrease
	2014	2014	2013	2013	2012	2012
	R	R	R	R	R	R
Interest income	110 211	(110 211)	148 073	(148 073)	215 438	(215 438)

The company is not exposed to any significant amount of interest rate risk.

**Policyholder:** The majority of the market risk, currency risk and interest rate risk is assumed by the policyholders and not the Company. The Company is not exposed to market risk and interest rate risk in respect of investment contract liabilities, as the benefits under the contracts are linked to the fair value of the underlying assets. Market risk, currency risk and interest rate risk are assumed by the policy holder.

#### *Fair value*

The fair values of all financial instruments approximate the carrying values reflected in the statement of financial position.

*Fair value measurements recognised in the statement of financial position*

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those 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 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2014	Fair value R	Valuation method	Significant unobservable inputs	Fair value hierarchy of inputs
<b>Financial assets at fair value through profit and loss</b>				
<b>Investments linked to investment contracts:</b>				
Domestic equities	5 336 995 919	Quoted closing price in active market	N/A	<b>Level 1</b>
Fixed interest securities	1 441 348 631		N/A	<b>Level 1</b>
Cash and cash equivalents	501 569 932		N/A	<b>Level 1</b>
Collective investment schemes	4 984 699 827	Quoted closing net asset value per unit	N/A	<b>Level 2</b>
Debentures	24 839 334		N/A	<b>Level 2</b>
Hedge funds	1 146 308 854		N/A	<b>Level 2</b>
Collective investment schemes – International	1 618 667 229		N/A	<b>Level 2</b>
Investments in insurance policies – International	298 834 285		N/A	<b>Level 2</b>
Investments in insurance policies	5 933 522 026		N/A	<b>Level 2</b>
<b>Investments (Corporate)</b>				
Domestic equities	6 945 096	Quoted closing price in active market	N/A	<b>Level 1</b>
Collective Investment Schemes	52 143 957	Quoted closing net asset value per unit	N/A	<b>Level 2</b>
<b>Financial liabilities at fair value through profit and loss</b>				
Investment contract liabilities	7 364 817 918	Quoted closing price in active market	N/A	<b>Level 1</b>
Investment contract liabilities	14 059 015 512	Quoted closing net asset value per unit	N/A	<b>Level 2</b>

2013	Fair value R	Valuation method	Significant unobservable inputs	Fair value hierarchy of inputs
<b>Financial assets at fair value through profit and loss</b>				
<b>Investments linked to investment contracts:</b>				
Domestic equities	4 147 084 499	Quoted closing price in active market	N/A	<b>Level 1</b>
Fixed interest securities	1 384 102 930		N/A	<b>Level 1</b>
Cash and cash equivalents	402 839 910		N/A	<b>Level 1</b>
Collective investment schemes	2 712 789 109	Quoted closing net asset value per unit	N/A	<b>Level 2</b>
Debentures	23 415 019		N/A	<b>Level 2</b>
Hedge funds	1 145 278 234		N/A	<b>Level 2</b>
Collective investment schemes – International	2 971 304 881		N/A	<b>Level 2</b>
Investments in insurance policies – International	295 509 467		N/A	<b>Level 2</b>
Investments in insurance policies	5 925 832 725		N/A	<b>Level 2</b>
<b>Investments (Corporate)</b>				
Domestic equities	5 967 846	Quoted closing price in active market	N/A	<b>Level 1</b>
Collective Investment Schemes	37 049 627	Quoted closing net asset value per unit	N/A	<b>Level 2</b>
<b>Financial liabilities at fair value through profit and loss</b>				
Investment contract liabilities	5 939 995 185	Quoted closing price in active market	N/A	<b>Level 1</b>
Investment contract liabilities	13 111 179 062	Quoted closing net asset value per unit	N/A	<b>Level 2</b>

2012	Fair value R	Valuation method	Significant unobservable inputs	Fair value hierarchy of inputs
<b>Financial assets at fair value through profit and loss</b>				
<b>Investments linked to investment contracts</b>				
Domestic equities	3 886 858 170	Quoted closing price in active market	N/A	<b>Level 1</b>
Fixed interest securities	1 656 289 661		N/A	<b>Level 1</b>
Cash and cash equivalents	657 997 101		N/A	<b>Level 1</b>
Collective investment schemes	1 648 154 319	Quoted closing net asset value per unit	N/A	<b>Level 2</b>
Debentures	1 010 135 354		N/A	<b>Level 2</b>
Hedge funds	163 589 613		N/A	<b>Level 2</b>
Collective investment schemes – International	2 464 665 714		N/A	<b>Level 2</b>
Investments in insurance policies – International	310 594 744		N/A	<b>Level 2</b>
Investments in insurance policies	5 998 572 497		N/A	<b>Level 2</b>
<b>Investments (Corporate)</b>				
Domestic equities	2 873 249	Quoted closing price in active market	N/A	<b>Level 1</b>
Collective Investment Schemes	13 259 036	Quoted closing net asset value per unit	N/A	<b>Level 2</b>
<b>Financial liabilities at fair value through profit and loss</b>				
Investment contract liabilities	6 002 360 335	Quoted closing price in active market	N/A	<b>Level 1</b>
Investment contract liabilities	11 595 712 241	Quoted closing net asset value per unit	N/A	<b>Level 2</b>

### Categories of financial instruments

The analysis of assets and liabilities into their categories as defined in IAS 39 'Financial Instruments: Recognition and Measurement' is set out in the following table. For completeness, assets and liabilities of a non-financial nature, or financial assets and liabilities that are specifically excluded from the scope of IAS 39, are reflected in the non-financial assets and liabilities category.

#### 2014

<b>ASSETS</b>	<b>Fair value through profit and loss</b>	<b>Loans and receivables</b>	<b>Non-financial assets</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Accounts receivable and prepayments	–	169 831 291	–	169 831 291
Cash and cash equivalents	–	10 592 758	–	10 592 758
Deposit on purchase of investment property	–	–	200 000	200 000
Furniture and equipment	–	–	3 812 308	3 812 308
Investments linked to investment contracts	(1) 21 286 786 037	–	–	21 286 786 037
Investments	(2) 59 089 053	–	–	59 089 053
Loans receivable	–	6 365 634	–	6 365 634
	21 345 875 090	186 789 683	4 012 308	21 536 677 081

<b>LIABILITIES</b>	<b>Fair value through profit and loss</b>	<b>Financial liabilities at amortised cost</b>	<b>Non-financial liabilities</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Accounts payable and other accruals	–	28 657 674	–	28 657 674
Deferred tax	–	–	8 085 232	8 085 232
Investment contract liabilities	(1) 21 423 833 430	–	–	21 423 833 430
Taxation receivable	–	–	623 642	623 642
Value Added Taxation	–	–	46 240	46 240
	21 423 833 430	28 657 674	8 755 114	21 461 246 218

(1) Those designated as such upon initial recognition.

(2) Those classified as held for trading in accordance with IAS 32.

<b>MOVEMENTS THROUGH PROFIT AND LOSS IN THE STATEMENT OF COMPREHENSIVE INCOME</b>	<b>Fair value through profit and loss</b>	<b>Loans and receivables</b>	<b>Non-financial assets</b>	<b>Total</b>
	<b>R</b>	<b>R</b>	<b>R</b>	<b>R</b>
Realised gain of financial assets classified as held for trading	2 985 224	–	–	2 985 224
Realised gain of financial assets designated at fair value through profit and loss	2 725 933 830	–	–	2 725 933 830
Change in fair value of financial assets classified as held for trading	4 753 878	–	–	4 753 878
Change in fair value of financial assets designated at fair value through profit and loss	(372 298 155)	–	–	(372 298 155)
	2 361 374 777	–	–	2 361 374 777

ASSETS		Fair value through profit and loss	Loans and receivables	Non-financial assets	Total
		R	R	R	R
Accounts receivable and prepayments		–	103 229 991	–	103 229 991
Cash and cash equivalents		–	13 795 935	–	13 795 935
Furniture and equipment		–	–	2 752 632	2 752 632
Investments linked to investment contracts	(1)	19 008 156 774	–	–	19 008 156 774
Investments	(2)	43 017 473	–	–	43 017 473
Taxation receivable		–	–	369 617	369 617
Loans receivable		–	8 488 804	–	8 488 804
		19 051 174 247	125 514 730	3 122 249	19 179 811 226

LIABILITIES		Fair value through profit and loss	Financial liabilities at amortised cost	Non-financial liabilities	Total
		R	R	R	R
Accounts payable and other accruals		–	63 850 027	–	63 850 027
Investment contract liabilities	(1)	19 051 291 976	–	–	19 051 291 976
Deferred taxation		–	–	3 422 708	3 422 708
Value Added Taxation		–	–	46 842	46 842
		19 051 291 976	63 850 027	3 469 550	19 118 611 553

(1) Those designated as such upon initial recognition.

(2) Those classified as held for trading in accordance with IAS 32.

MOVEMENTS THROUGH PROFIT AND LOSS IN THE STATEMENT OF COMPREHENSIVE INCOME	Fair value through profit and loss	Loans and receivables	Non-financial assets	Total
	R	R	R	R
Realised loss of financial assets classified as held for trading	2 377 721	–	–	2 377 721
Realised loss of financial assets designated at fair value through profit and loss	2 184 907 261	–	–	2 184 907 261
Change in fair value of financial assets classified as held for trading	3 262 556	–	–	3 262 556
Change in fair value of financial assets designated at fair value through profit and loss	938 479 664	–	–	938 479 664
	3 129 027 202	–	–	3 129 027 202

ASSETS	Fair value through profit and loss		Loans and receivables	Non-financial assets	Total
		R	R	R	R
Accounts receivable and prepayments		–	91 467 918	–	91 467 918
Cash and cash equivalents		–	34 528 959	–	34 528 959
Deferred taxation		–	–	2 826 633	2 826 633
Furniture and equipment		–	–	2 156 980	2 156 980
Investments linked to investment contracts	(1)	17 796 857 173	–	–	17 796 857 173
Investments	(2)	16 132 285	–	–	16 132 285
Loans receivable		–	2 260 975	–	2 260 975
		17 812 989 458	128 257 852	4 983 613	17 946 230 923

LIABILITIES	Fair value through profit and loss		Financial liabilities at amortised cost	Non-financial liabilities	Total
		R	R	R	R
Accounts payable and other accruals		–	120 605 397	–	120 605 397
Investment contract liabilities	(1)	17 598 072 576	–	–	17 598 072 576
Loan payable		–	4 996 507	–	4 996 507
Taxation payable		–	–	313 706	313 706
Value Added Taxation		–	–	35 840	35 840
		17 598 072 576	125 601 904	349 546	17 724 024 026

(1) Those designated as such upon initial recognition.

(2) Those classified as held for trading in accordance with IAS 32.

MOVEMENTS THROUGH PROFIT AND LOSS IN THE STATEMENT OF COMPREHENSIVE INCOME	Fair value through profit and loss		Loans and receivables	Non-financial assets	Total
		R	R	R	R
Realised loss of financial assets classified as held for trading		844 781	–	–	844 781
Realised loss of financial assets designated at fair value through profit and loss		905 781 315	–	–	905 781 315
Change in fair value of financial assets classified as held for trading		391 479	–	–	391 479
Change in fair value of financial assets designated at fair value through profit and loss		1 316 264 486	–	–	1 316 264 486
		2 223 282 061	–	–	2 223 282 061

**20. INSURANCE RISK**

Contracts issued by the Company only include finance risk and therefore all contracts issued by the Company are classified as investment contracts. The Company's approach to financial risk management has been described in note 19.

**21. DIVIDEND DECLARATION**

Dividends of R5,000,000 (2013: Rnil: 2012: Rnil) were declared and paid during the year.

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## REPORTING ACCOUNTANT'S REPORT ON THE REPORT OF HISTORICAL FINANCIAL INFORMATION OF SYGNIA LIFE

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"The Directors

Sygnia Life Limited and Sygnia Limited

7th Floor, The Foundry

Cardiff Street, Green Point

8001

22 September 2015

Dear Sirs and Mesdames

### **Independent Reporting Accountant's Report on the Historical Financial Information included in the Pre-Listing Statement**

#### *Introduction*

The definitions commencing on page 5 of the Pre-Listing Statement to which this letter is attached apply *mutatis mutandis* to this report.

We have audited the historical financial information of Sygnia Life Limited ("the Company") in respect of the year ended 30 September 2014, set out in Annexure 3 of the Pre-Listing Statement. We have also reviewed the historical financial information of the Company in respect of the years ended 30 September 2013 and 30 September 2012 set out in Annexure 3 (collectively, the "Historical Financial Information"). The Historical Financial Information in respect of each annual period comprises the statement of financial position as at the year-end date, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the years then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

#### *Directors' responsibility for the Historical Financial Information*

The Company's directors are responsible for the preparation and fair presentation of the Historical Financial Information in accordance with the requirements of the Listings Requirements, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The JSE Listings Requirements require the Historical Financial Information in respect of each annual period to be prepared in accordance with the conceptual framework, the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"), the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and also, as a minimum, to be presented and contain the disclosures required by the JSE Listings Requirements.

#### *Reporting accountant's responsibility*

Our responsibility is to express an opinion or conclusion on the Historical Financial Information based on our audit or review.

We conducted our audit of the Historical Financial Information in accordance with International Standards on Auditing (ISAs) and the review of the Historical Financial Information was conducted in accordance with International Standard on Review Engagements ("ISRE") 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. Both standards require that we comply with ethical requirements.

We plan and perform the audit to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the Historical Financial Information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes

evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Historical Financial Information.

ISRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the Historical Financial Information is not prepared in all material respects in accordance with the applicable financial reporting framework. A review is substantially less in scope than an audit conducted in accordance with the ISAs and consequently does not enable the auditor to obtain assurance that the auditor would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We believe that the evidence we have obtained in our audit or review is sufficient and appropriate to provide a basis for our opinion or conclusion respectively.

#### *Opinion*

In our opinion, the Historical Financial Information in respect of the year ended 30 September 2014 is prepared, in all material respects, in accordance with the JSE Listings Requirements and IFRS, as set out in the notes to the Historical Financial Information.

#### *Conclusion*

Based on our review of the Historical Financial Information of the Company in respect of the years ended 30 September 2013 and 30 September 2012, nothing has come to our attention that causes us to believe that the Historical Financial Information of the Company is not prepared, in all material respects, in accordance with the Listings Requirements, as set out in the notes to the Historical Financial Information.

#### *Other information in the Pre-Listing Statement*

As required by paragraph 8.53 of the Listings Requirements, we have read the Pre-Listing Statement in which the Historical Financial Information is contained, for the purpose of identifying whether there are material inconsistencies between the Pre-Listing Statement and the Historical Financial Information which has been subject to audit. The Pre-Listing Statement is the responsibility of the directors. Based on reading the Pre-Listing Statement we have not identified material inconsistencies between this report and the Historical Financial Information which has been subject to audit. However, we have not audited the Pre-Listing Statement and accordingly do not express an opinion on it.

#### *Consent*

We consent to the inclusion of this report, which will form part of the Pre-Listing Statement to the shareholders of the Company, to be issued on or about 1 October 2015, in the form and context in which it appears.

#### **Deloitte & Touche**

Registered Auditors

Per Danie Crowther

Partner

Deloitte & Touche

1st Floor, The Square, Cape Quarter,

27 Somerset Road, Green Point,

8005

**National executive:** \*LL Bam (*Chief Executive*), \*AE Swiegers (*Chief Operating Officer*),\* GM Pinnock (*Audit*), DL Kennedy (*Risk Advisory*), \*NB Kader (*Tax*), TP Pillay (*Consulting*), S Gwala (*BPaaS*), \*K Black (*Clients and Industries*), \*JK Mazzocco (*Talent and Transformation*), \*MJ Jarvis (*Finance*), \*M Jordan (*Strategy*), \*TJ Brown (*Chairman of the Board*) and MJ Comber (*Deputy Chairman of the Board*)

\* *Partner and Registered Auditor*

A full list of partners and directors is available on request.

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code.

Member of Deloitte Touche Tohmatsu Limited"

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## REPORT OF THE 2014 SPECIAL PURPOSE FINANCIAL STATEMENTS

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### PREAMBLE

The definitions commencing on page 5 of the Pre-Listing Statement have been used throughout Annexure 5.

As detailed in paragraph 1.2 (titled 'Incorporation and History') of this Pre-Listing Statement, the Group originally comprised of two separate holding companies, namely, Sygnia Investment Holdings and Sygnia Investment Holdings No 2. Sygnia Investment Holdings held a 100% interest in Sygnia Life and Sygnia Investment Holdings No 2 held the other subsidiaries. With effect from 1 October 2014, Sygnia Investment Holdings sold Sygnia Life to Sygnia Investment Holdings No 2 to create one group through a common control transaction.

As detailed in Annexure 7, the Group has adopted the following accounting policy with regards to the common control transaction for purposes of the preparation of the financial statements of the Group for the six month period ended 31 March 2015, which has been applied retrospectively by the Group for purposes of the preparation of the financial information of the Group for the six month period ended 31 March 2014. This accounting policy has also been applied retrospectively for purposes of the preparation of the 2014 Special Purpose Financial Statements for the year ended 30 September 2014:

"For business combinations involving entities or businesses under common control the Group, as acquirer, accounts for the common control transactions using book value accounting in the consolidated financial statements. The book value of the entity transferred is used. The Group recognises the difference between the consideration transferred and the share capital of the acquiree as an adjustment to equity. The adjustment is reflected as a separate common control reserve account in equity, the common control reserve."

As a result this, the 2014 Special Purpose Financial Statements have been prepared as if the Group has always been in existence.

The preparation of the 2014 Special Purpose Financial Statements is in accordance with Section 8 of the Listings Requirements which requires, *inter alia*, that:

- If at the date of the Pre-Listing Statement, more than nine months have elapsed since the end of the last financial year, reviewed interim financial information is to be prepared ("2015 Interim Historical Financial Information") in accordance with IFRS on Interim Financial Reporting, and is to be presented for the first six months ended, subsequent to the relevant subject matter's latest financial year ended; and
- If the 2015 Interim Historical Financial Information has been prepared using accounting policies that are not identical to those contained in the Historical Financial Information required to be presented in the Pre-Listing Statement in accordance with paragraph 8.2 of the Listings Requirements, comparative information needs to be presented.

The report of Interim Historical Financial Information of the Group for the six months ended 31 March 2015 has been included in Annexure 7.

The 2014 Special Purpose Financial Statements, comprising of the preamble, consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, accounting policies for the year then ended and other explanatory related special purpose notes of the Group for the year ended 30 September 2014, therefore represents the "Audited Special Purpose Financial Statements of the Group for the year ended 30 September 2014" of the combined entities, specifically prepared for inclusion as comparatives for the purposes of the Interim Historical Financial Information presented in Annexure 7.

Deloitte is the Reporting Accountant to Sygnia Investment Holdings and Sygnia Investment Holdings No 2. Deloitte conducted its audit of the 2014 Special Purpose Financial Statements in accordance with the International Standards on Auditing Standard 805, Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement (ISA 805).

The Directors are responsible for the 2014 Special Purpose Financial Statements presented in Annexure 5 to the Pre-Listing Statement.

<b>CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2014</b>		<b>AUDITED GROUP 30 SEPTEMBER 2014 R</b>
	Notes	
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		<b>21 371 526 404</b>
Deferred tax asset		2 858 313
Furniture and equipment		19 434 099
Goodwill		379 155
Intangible asset	8	942 099
Investments		61 126 701
Investments linked to investment contract liabilities		21 286 786 037
<b>CURRENT ASSETS</b>		<b>243 690 249</b>
Trade and other receivables		195 414 959
Cash and cash equivalents		41 873 331
Loans receivable		6 401 959
<b>TOTAL ASSETS</b>		<b>21 615 216 653</b>
<b>EQUITY</b>		
		<b>126 710 879</b>
Stated capital	13	272 858 029
Retained income		73 152 837
Reserves		(219 299 987)
<b>TOTAL EQUITY</b>		<b>126 710 879</b>
<b>LIABILITIES</b>		
<b>NON-CURRENT LIABILITIES</b>		<b>21 431 918 662</b>
Deferred taxation liabilities		8 085 232
Investment contract liabilities		21 423 833 430
<b>CURRENT LIABILITIES</b>		<b>56 587 112</b>
Trade and other payables		54 911 315
Taxation payable		1 675 797
<b>TOTAL LIABILITIES</b>		<b>21 488 505 774</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>21 615 216 653</b>
Diluted weighted number of shares at the end of the year	14	100 000 000
Basic and diluted earnings per share (cents)	14	38.47
Headline and diluted headline earning per share (cents)	14	42.11
Net asset value per share (Rands)		1.27
Tangible net asset value per share (Rands)		1.23
Dividends per share (cents)		12.0

<b>CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 SEPTEMBER 2014</b>	<b>AUDITED FOR THE YEAR ENDED 30 SEPTEMBER 2014 R</b>
Revenue	165 798 175
Operating expenses	(125 998 291)
Investment contract income	2 865 527 645
Transfer to investment contract liabilities	(2 865 527 645)
Interest income	4 256 073
Other investment income	10 764 923
<b>PROFIT FROM OPERATIONS</b>	<b>54 820 880</b>
Finance costs	(61 229)
<b>PROFIT BEFORE TAXATION</b>	<b>54 759 651</b>
Income taxation expense	(16 294 133)
<b>PROFIT FOR THE YEAR</b>	<b>38 465 518</b>
Other comprehensive income	–
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>38 465 518</b>
<b>Profit attributable to:</b>	
Owners of the Company	38 465 518
Non-controlling interest	–

	Note	Group equity adjustment	Share-based payment reserve	Stated capital	Common control reserve	Retained income	Total equity
		R	R	R	R	R	R
<b>CONSOLIDATED STATEMENT OF CHANGES IN EQUITY</b>							
<b>FOR THE YEAR ENDED 30 SEPTEMBER 2014</b>							
Balance at 1 October 2013 originally reported		(307 062)	33 584 073	2 858 029	-	2 910 648	39 045 688
Changes in ownership interests		-	-	-	-	-	-
Common control acquisition of subsidiary	7	-	-	270 000 000	(252 576 998)	43 776 671	61 199 673
<b>Adjusted balance at 1 October 2013</b>		<b>(307 062)</b>	<b>33 584 073</b>	<b>272 858 029</b>	<b>(252 576 998)</b>	<b>46 687 319</b>	<b>100 245 361</b>
<b>Total comprehensive income</b>							
Profit for the year		-	-	-	-	38 465 518	38 465 518
Other comprehensive income		-	-	-	-	-	-
<b>Total comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38 465 518</b>	<b>38 465 518</b>
<b>Transactions with owners</b>							
Dividends paid		-	-	-	-	(12 000 000)	(12 000 000)
<b>Total transactions with owners of the group</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(12 000 000)</b>	<b>(12 000 000)</b>
<b>Balance at 30 September 2014</b>		<b>(307 062)</b>	<b>33 584 073</b>	<b>272 858 029</b>	<b>(252 576 998)</b>	<b>73 152 837</b>	<b>126 710 879</b>

## NOTES TO THE 2014 SPECIAL PURPOSE FINANCIAL STATEMENTS

### 1. REPORTING ENTITY

Sygnia Investment Holdings No 2 is a company domiciled in the Republic of South Africa. The consolidated financial statements ("financial statements") as at and for the year ended 30 September 2014 comprise Sygnia Investment Holdings No 2 and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in the provision of investment management related services.

### 2. BASIS OF PREPARATION

This 2014 Special Purpose Financial Statements, comprising of the consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, accounting policies for the year then ended and other explanatory related special purpose notes of the Group, represents the "Audited Special Purpose Financial Statements of the Group for the year ended 30 September 2014".

The 2014 Special Purpose Financial Statements have been prepared on the historical cost basis, except for the revaluation of financial instruments, on the basis of accounting reflected in note 4.

These 2014 Special Purpose Financial Statements are presented in South African Rand and have been prepared for the specific purpose noted in the preamble.

Sygnia Investment Holdings No 2 has adopted all of the recognition and measurement requirements of IFRS, but not the disclosure requirements, of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 October 2013 in the preparation of these financial statements. These financial statements do not include a cash flow statement, comparative information or notes included in Annexures 1 and 3 to this Pre-Listing Statement.

### 3. GOING CONCERN

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. The 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.

### 4. ACCOUNTING POLICIES

The accounting policies applied in the preparation of these financial statements are consistent with those accounting policies applied in the preparation of the consolidated financial statements for Sygnia Investment Holdings No 2 as at and for the year ended 30 September 2014 (as detailed in Annexure 1), apart from the accounting policies relating to Investment Contract Liabilities, Financial Instruments and Foreign Exchange transactions, which relate to Sygnia Life (as detailed in Annexure 3 to this Pre-Listing Statement), and Business Combinations which is new and relates to the accounting for the common control transaction referred to in the preamble.

#### ***Standards and interpretations affecting amounts reported in the current period (and/or prior periods)***

In the current year, the Company has applied the recognition and measurement, but not fully applied the disclosure requirements, of a number of new and revised IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 October 2013.

IFRS 7 Financial Instruments: Disclosures (Amendment requires entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure) – effective annual periods beginning on or after 1 January 2013.

IFRS 10 Consolidated Financial Statements: (New standard that replaces the consolidation requirements in SIC 12: Consolidation of Special Purpose Entities and IAS 27: Consolidated and Separate Financial Statements Standard builds on existing principles by identifying the concepts of control as the determining factor whether an entity should be included within the consolidated financial statements of the parent company and provides additional guidance to assist in the determination of control where this is difficult to assess) – effective annual periods beginning on or after 1 January 2013.

IFRS 11 Joint Arrangements: (New standard that deals with the accounting for joint arrangements and focuses on the rights and obligations of the arrangement, rather than its legal form. Standard requires a single method for accounting

for interests in jointly controlled entities) – effective annual periods beginning on or after 1 January 2013. (Amendments to the transition guidance of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, thus limiting the requirements to provide adjusted comparative information) – effective annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Interest in Other Entities: (New standard on disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.) – effective annual periods on or after 1 January 2013. (Amendments to the transition guidance of IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities, thus limiting the requirements to provide adjusted comparative information) – effective annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement: (New guidance on fair value measurement and disclosure requirements) – effective annual periods on or after 1 January 2013.

IAS 1 Presentation of Financial Statements: (Amendments clarifying the requirements for comparative information including minimum and additional comparative information required) – effective annual periods beginning on or after 1 January 2013.

IAS 16 Property, Plant and Equipment: (Amendments to the recognition and classification of servicing equipment) – effective annual periods beginning on or after 1 January 2013.

IAS 27 Consolidated and Separate Financial Statements: (Consequential amendments resulting from the issue of IFRS 10, 11 and 12) – effective annual periods beginning on or after 1 January 2013.

IAS 32 Financial Instruments: Presentation (Amendments require entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. Amendments were also made to clarify the tax effect of distributions to holders of equity instruments) – effective annual periods beginning on or after 1 January 2013.

#### ***Standards and interpretations in issue not yet adopted***

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

IFRS 1: First-time Adoption of International Financial Reporting Standards (Amendments resulting from 2012 – 2014 Annual Improvements Cycle) – effective annual periods beginning on or after 1 January 2016.

IFRS 3: Business Combinations (Amendments resulting from Annual Improvements 2010 – 2012 Cycle (accounting for contingent consideration)) – effective annual periods beginning on or after 1 July 2014.

IFRS 7: Financial Instruments: Disclosures (Amendments resulting from September 2014 Annual Improvements to IFRSs) – effective annual periods beginning on or after 1 January 2016.

IFRS 7 Financial Instruments: Disclosures (Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures) – effective annual periods beginning on or after 1 January 2015.

IFRS 9 Financial Instruments: (New standard that forms the first part of a three-part project to replace IAS 39 Financial instruments: Recognition and Measurement) – effective annual periods beginning on or after 1 January 2018.

IFRS 10: Consolidated Financial Statements (Amendments on Sale or Contribution of Assets between an investor and its associate or joint venture) – effective annual periods beginning on or after 1 January 2016.

IFRS 10: Consolidated Financial Statements (Amendments related to the application of the investment entities exceptions) – effective annual periods beginning on or after 1 January 2016.

IFRS 10 Consolidated Financial Statements: (Exception to the principal that all subsidiaries must be consolidated. Entities meeting the definition of "Investment Entities" must be accounted for at fair value under IFRS 9, Financial Instruments, or IAS 39, Financial Instruments: Recognition and Measurement) – effective annual periods beginning on or after 1 January 2014.

IFRS 12 Disclosure of Interest in Other Entities: (New disclosures required for Investment Entities as defined in IFRS 10) – effective annual periods beginning on or after 1 January 2014.

IFRS 13 Fair Value Measurement: (Amendments resulting from Annual Improvements 2011 – 2013 Cycle (scope of the portfolio exception in paragraph 52)) – effective annual periods beginning on or after 1 July 2014.

IFRS 15: Revenue from Contracts with Customers: (The standard should be applied in an entity's IFRS financial statements for annual reporting) – effective periods beginning on or after 1 January 2018.

IAS 1: Presentation of Financial Statements (Amendments arising under the Disclosure Initiative) – effective annual periods beginning on or after 1 January 2016.

IAS 16 Property, Plant and Equipment: (Amendments resulting from Annual Improvements 2011 – 2013 Cycle (proportionate restatement of accumulated depreciation on revaluation)) – effective annual periods beginning on or after 1 July 2014.

IAS 16: Property, Plant and Equipment (Amendments resulting from clarification of acceptable methods of depreciation and amortisation (Amendments to IAS 16 and IAS 38)) – effective annual periods beginning on or after 1 January 2016.

IAS 19: Employee Benefits (Amendments resulting from 2012 – 2014 Annual Improvements Cycle) – effective annual periods beginning on or after 1 January 2016.

IAS 24: Related Party Disclosures: (Amendments resulting from Annual Improvements 2010 – 2012 Cycle (management entities)) – effective annual periods beginning on or after 1 July 2014.

IAS 27 Consolidated and Separate Financial Statements: (Requirement to account for interests in "Investment Entities" at fair value under IFRS 9, Financial Instruments, or IAS 39, Financial Instruments: Recognition and Measurement, in the separate financial statements of a parent) – effective annual periods beginning on or after 1 January 2014.

IAS 32 Financial Instruments: Presentation: (Amendments resulting from Annual Improvements 2009 – 2011 Cycle (tax effect of equity distributions)) – effective annual periods beginning on or after 1 January 2014.

IAS 36 Impairment of Assets: (The amendment to IAS 36 clarifies the required disclosures of information about the recoverable amount of impaired assets if that amount is based on fair value less cost of disposal) – effective annual periods beginning on or after 1 January 2014.

IAS 38: Intangible Assets (Amendments resulting from Annual Improvements 2010 – 2012 Cycle (proportionate restatement of accumulated depreciation on revaluation)) – effective annual periods beginning on or after 1 July 2014.

IAS 38: Intangible Assets (Amendments resulting from clarification of acceptable methods of depreciation and amortisation (Amendments to IAS 16 and IAS 38)) – effective annual periods beginning on or after 1 July 2016.

IAS 39 Financial Instruments: Recognition and Measurement: (Amendments for Novation of Derivatives and Continuation of Hedge Accounting) – effective annual periods beginning on or after 1 January 2014.

### ***Basis of consolidation***

The 2014 Special Purpose Financial Statements represent the consolidated financial position and changes therein and operating results of the Company and all of its subsidiaries. Under IFRS 10 subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date on which control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries and businesses by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated.

### ***Furniture and equipment***

Furniture and equipment is stated at historical cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The useful life and residual value of all assets are reassessed annually.

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

Artwork	5 – 25 years
Computer equipment	3 years
Software	2 years
Office equipment	5 years
Furniture and fittings	6 years
Leasehold improvements	Over the lease term

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

### **Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

### **Investment**

Investments in partnerships are stated at fair value as determined by the Directors taking into account the underlying assets of the partnership. Realised and unrealised changes in fair value are recognised in income during the period in which they occur in proportion to the interest held in the partnership during the period.

### **Intangible assets**

#### *Internally-generated intangible assets – research and development expenditure*

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the development phase of an internal project is recognised if, and only if, all of the following have been demonstrated:

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

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred. Expenditure on an intangible asset that was initially charged to profit and loss is not recognised as a part of the cost of an intangible asset at a later date.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets have a finite useful life. Amortisation is calculated on the straight-line method to write off the cost of each asset over its estimated useful life. Assets are amortised over the following periods:

Internally generated computer software	2 years
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## **Taxation**

Income taxation expense represents the sum of the taxation currently payable and deferred taxation.

### *Current taxation*

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

### *Deferred taxation*

Deferred taxation is provided using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial accounting purposes. However, deferred taxation is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred taxation is charged or credited to profit or loss, except where it relates to items charged to or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets relating to the carrying forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Company intends to settle its current tax assets and liabilities on a net basis.

### **Investment contract liabilities**

In terms of the definition of insurance contracts in IFRS 4, the contracts issued by Sygnia Life do not qualify as insurance contracts. These contracts are accounted for in terms of IAS 32 and IAS 39 on financial instruments. Amounts received under investment contracts are recorded as deposits and credited directly to investment contract liabilities. Amounts paid under investment contracts are recorded as deductions from investment contract liabilities.

Disclosure in the statement of comprehensive income has been made to reflect all income, including realised and unrealised profit, relating to policyholders into one line item called 'investment contract income' and all the expenses relating to policyholders into one line item called 'transfer to investment contract liabilities'. Disclosure in the statement of financial position has been made to reflect all the policyholder assets in one line item called 'investments linked to investment contracts'.

### **Financial instruments**

#### *Recognition and de-recognition of financial instruments*

Financial instruments are recognised when the Company becomes a party to the contractual provisions of the particular instrument. Financial instruments include all financial assets and financial liabilities but excludes taxation (deferred and current).

The Company de-recognises a financial asset when:

- The contractual rights to the cash flows arising from the financial assets have expired or been forfeited by the Company; or
- It transfers the financial asset including substantially all the risks and rewards of ownership of the asset; or
- It transfers the financial asset, neither retaining nor transferring substantially all the risks and rewards of ownership of the asset, but no longer retains control of the asset.

A financial liability is derecognised when the liability is extinguished, that is, when the obligation specified in the contract is discharged, cancelled or has expired.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recognised at trade date, which is the date that the Company commits to purchase or sell the asset. Otherwise such transactions are treated as derivatives until settlement occurs. Loans and receivables are recognised (at fair value plus attributable transaction costs) when cash is advanced to borrowers.

### *Classification and measurement*

#### *Financial assets at fair value through profit or loss*

Financial assets are classified as at fair value through profit or loss where the financial asset is either held for trading or it is designated as at fair value through profit or loss.

#### *Financial assets designated at fair value through profit or loss*

Financial assets designated at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. After initial recognition, the Company measures financial assets designated at fair value through profit or loss at fair values without any deduction for transaction costs it may incur on their disposal.

Listed investments are reflected in the balance sheet at fair value, using ruling prices on share and bond exchanges. Unlisted investments are valued by the directors taking into account prevailing interest rates, market conditions and underlying investments.

#### *Loans and receivables*

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

#### *Financial assets held for trading*

A financial asset is classified in this category if acquired principally for the purpose of selling or buying back in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Measurement is initially at fair value with transaction costs taken directly to the statement of comprehensive income. Subsequently their fair values are remeasured and all gains and losses, realised and unrealised, are taken to the statement of comprehensive income in the period in which they arise, without any deduction for transaction costs it may incur on their disposal. Dividend income on financial assets held for trading is recognised in the statement of comprehensive income as dividend income.

#### *Financial liabilities – investment contracts*

The Company issues investment contracts that transfer financial risk. These investment contracts are carried on the statement of financial position. Investment contracts are recognised as financial liabilities in the statement of financial position when the Company becomes party to their contractual provisions. Contributions received from or withdrawals made by policyholders are not recognised in the statement of comprehensive income but are included in investment contract liabilities.

All investment contracts issued by the Company are designated by the Company on initial recognition as at fair value through profit or loss. This designation eliminates or significantly reduces a measurement inconsistency that would otherwise arise if these financial liabilities were not measured at fair value since the assets held to back the investment contract liabilities are also measured at fair value.

Changes in the fair value of investment contracts are included in the statement of comprehensive income in the period in which they arise.

#### *Effective interest rate method*

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, and other money market assets with less than ninety days to maturity from the date of acquisition.

## *Financial liabilities and equity instruments*

### *Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### *Financial liabilities*

Financial liabilities are classified as either financial liabilities 'at fair value through profit and loss' or 'other financial liabilities'.

### *Financial liabilities at fair value through profit and loss*

Financial liabilities are classified as at fair value through profit and loss where the financial liability is either held for trading or it is designated as at fair value through profit and loss.

A financial liability other than a financial liability held for trading may be designated as at fair value through profit and loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis.

Financial liabilities at fair value through profit and loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. All financial liabilities issued by the Company are designated by the Company on initial recognition as at fair value through profit or loss. This designation eliminates a measurement inconsistency that would otherwise arise if these financial liabilities were not measured at fair value since the assets held to back the investment financial liabilities are also measured at fair value.

No hedge accounting is applied.

### *Fair value measurement principles*

The Company has applied IFRS 13 for the first time in the current year. IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements. As mentioned in the preamble these have not been complied with.

Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the financial statements.

### **Offsetting**

Where a legally enforceable right of off-set exists for recognised financial assets and liabilities, and there is an intention to settle the liability and realise the asset simultaneously, or to settle on a net basis, all related financial effects are offset.

### **Operating leases**

Leases under which the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight line basis over the period of the lease.

### **Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the Directors' best estimate of the expenditure required to settle the present obligation at the balance sheet date using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

### **Revenue**

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Company's activities. Revenue is shown net of value-added tax. Fee income is comprised of the net amounts invoiced to clients for services rendered.

Revenue from the provision of IT maintenance and support services is recognised after making an appropriate adjustment for the provision of future services. This deferred income provision is recognised in the balance sheet and is determined by the amount of work that still needs to be performed in relation to the total transaction. Deferred income is recognised in profit and loss on a time proportionate basis as services are rendered.

Performance fee income is recognised when the Company is unconditionally entitled to the revenue and no contingency with respect to future performance exists.

Dividends are recognised when the right to receive payment is established.

Interest income is recognised on the accrual basis using the effective interest rate method.

### **Impairment**

The carrying amount of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is the greater of the net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

### **Employee benefits**

#### *Pension obligations*

The Company operates a defined contribution plan and the assets are held in a separate trustee administered provident fund. The provident fund is funded by payments from the Company. The Company's contributions to the fund are charged to the income statement in the period to which they relate. The Company has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods. No valuation is performed as the liabilities of the fund cannot exceed its assets.

Employee benefits in the form of annual leave entitlements are provided for as and when they accrue to employees as a result of services rendered.

#### **Dividends**

Dividends payable to holders of equity instruments of the Company are recognised in the period in which they are declared.

#### **Share-based payments**

Equity-settled share-based payments are measured at fair value at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed, with a corresponding increase in equity, on a straight-line basis over the vesting period based on management's estimate of the shares that will vest and adjusted for the effect of non-market-based vesting conditions. These share-based payments are not subsequently revalued.

Black Economic Empowerment ("BEE") transactions involving the issue of equity interests are recognised when the accounting recognition criteria have been met. Although economic and legal ownership of such instruments have transferred to the BEE partner, the accounting recognition of equity instruments issued is postponed until the significant risks and rewards of ownership of the equity have passed to the BEE partner.

Fair value of the share options granted in the BEE transaction is measured using the Monte Carlo option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

### **Foreign exchange transactions**

Transactions in foreign currencies are accounted for at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the reporting date. Realised and unrealised exchange gains and losses relating to investment contract liabilities are recognised in investment contract income in the period in which they occur.

### **Business combinations**

For business combinations involving entities or businesses under common control the Group, as acquirer, accounts for the common control transactions using book value accounting in the consolidated financial statements. The book value of the entity transferred is used. The Group has also elected to restate the comparative figures it has previously presented in its consolidated financial statements to present the combining entities as if they have historically always been one consolidated entity. The Group recognises the difference between the consideration transferred and the share capital of the acquiree as an adjustment to equity. The adjustment is reflected as a separate common control reserve account in equity, the common control reserve.

## **5. USE OF ESTIMATES AND JUDGEMENTS**

In preparing these financial statement, 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 statement for the year ended 30 September 2014.

### **Measurement of fair values**

The Group has an established control framework with respect to the measurement of fair values. The Financial Director has overall responsibility for overseeing all significant fair value measurements.

The Financial Director regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the Financial Director assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques.

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in Note 12.

## **6. 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.

## **7. ACQUISITION OF SUBSIDIARY**

### **Acquisition of Sygnia Life**

The Group obtained control of Sygnia Life subsequent to the 2014 financial year end. The Company was acquired in terms of a common control transaction and therefore falls outside of the scope of IFRS 3. The Group has elected to restate comparative figures it has previously presented in its consolidated financial statements to present the combining entities as if they have historically always been one consolidated entity.

**Details of the net assets acquired are as follows:**

	<b>R</b>
Accounts receivable and prepayments	103 229 991
Cash and cash equivalents	13 795 935
Furniture and equipment	2 752 632
Investments	43 017 473
Investments linked to investment contract liabilities	19 008 156 774
Loan receivable	8 488 804
Taxation receivable	369 617
Deferred taxation	(3 422 708)
Investment contract liabilities	(19 051 291 976)
Accounts payable and other accruals	(63 850 027)
Value added taxation	(46 842)
Net asset value as at 1 October 2013	61 199 673
Shares issued by Sygnia Investment Holdings No 2 consideration	(270 000 000)
Adjustment to retained earnings	(43 776 671)
Common control reserve	(252 576 998)

**8. INTANGIBLE ASSET**

<b>AUDITED as at 30 September 2014</b>	<b>Computer Software</b>
<b>At cost</b>	
Opening balance at 1 October 2013	2 848 911
Additions	4 981 589
Closing balance at 30 September 2014	7 830 500
<b>Accumulated amortisation</b>	
Opening balance at 1 October 2013	409 649
Amortisation	2 018 746
Impairment	4 460 006
Closing balance at 30 September 2014	6 888 401
Net book value at 30 September 2014	942 099

**9. CAPITAL COMMITMENTS**

	<b>SEPTEMBER 2014 R</b>
Operating lease commitments	21 568 902

## 10. CONTINGENT LIABILITY

At the period end, Zamek Management a subsidiary of the Group, as the General Partner in the Sygnia Absolute LLP, Sygnia All Star LLP, Sygnia Signature LLP and Sygnia All Star Institutional LLP, is solely liable to the creditors of the partnerships and solely liable for all debts of the partnerships.

## 11. FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks. The most important components of financial risk are credit risk, liquidity risk and market risk (arising from changes in equity and bond prices, interest and foreign exchange rates). Market risk arises from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements and/or conditions. The Group's risk management programme focuses on the unpredictability of financial markets and seeks to limit potential adverse effects on the Group, while operating within a framework that ensures alignment with the group's overall strategy and risk appetite. The responsibility for risk management rests with every individual in the Group, including board members. The risk and compliance committee is empowered by the Board to develop processes that ensure that significant risks are adequately identified, evaluated and managed, and effectively communicated to the various reporting structures.

### *Financial risk management strategy and policy*

The group operates a risk management framework containing the following components:

- a risk committee (including an investment management sub-committee) with oversight of risk management;
- methodologies that focus on risk identification, risk measurement, risk assessment, action plans, monitoring and reporting.

These 2014 Special Purpose Financial Statements do not include all risk management information and disclosure required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as at 30 September 2014.

The Group's financial risk management objectives and policies are consistent with those disclosed in the Group's annual financial statement as at and for the year ended 30 September 2014.

### *Capital risk management*

Credit risk refers to the risk that a counterparty will default on its contractual obligation or incur a change in its creditworthiness, resulting in a financial loss to the Group.

The Group has no significant concentration of credit risk. The Group has policies in place to ensure that it deals with clients with an appropriate credit history. Cash resources and longer term investments are limited to high credit quality financial institutions. The Group has policies in place to limit the credit exposure to any one financial institution. The Group has a history of very few bad debts. The liability to policyholders is linked to the value of the assets held. Credit risk is assumed by the policyholder.

### *Liquidity risk*

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group manages its liquidity requirements by monitoring forecasted cash flows and has made arrangements for sufficient committed credit facilities.

### *Cash flow and interest rate risk*

The Group's income and cash flows are based mainly on contractual administration fees. The Group does not have any variable-rate borrowings. The Group's policy is to monitor cash requirement and invest surplus cash at market rate where appropriate.

### *Market risk, interest rate risk and currency risk*

Market risk is the potential impact on earnings of unfavourable changes in foreign exchange rates, interest rates, prices, market volatilities and liquidity. A large portion of the Group's income is derived from fees levied on the market value of the investments that it manages and administers. As the fees are dependent on the daily market value of the investments, any market movements affect the Group accordingly. Market risk is mitigated through the diversification of investment mandates such that revenue is not overly exposed to any single sector of the investment market. Investment management capacity is monitored to ensure that the performance of a specific investment is not unduly compromised through excessive scale.

With regard to the subsidiary, Sygnia Life, the majority of the market risk, currency risk and interest rate risk is assumed by the policyholders and not the Company. The Company is not exposed to market risk and interest rate risk in respect of investment contract liabilities, as the benefits under the contracts are linked to the fair value of the underlying assets. Market risk, currency risk and interest rate risk are assumed by the policyholders.

### **Statement of financial position (corporate vs policyholder)**

In order to evaluate the consolidated financial position, the Group segregates the statement of financial position between Corporate (own balances) and Policyholder (client-related balances).

Policyholder balances represent the investment contract liabilities and related linked client assets of Sygnia Life, the related portfolio debtors and creditors accounts as well as deferred taxation and related bank accounts.

	<b>Audited – as at 30 September 2014</b>		
	<b>Total</b>	<b>Corporate</b>	<b>Policyholder</b>
	<b>R</b>	<b>balances</b>	<b>balances</b>
		<b>R</b>	<b>R</b>
<b>ASSETS</b>			
Cash and cash equivalents	41 873 331	41 873 331	–
Deferred tax asset	2 858 313	2 858 313	–
Furniture and equipment	19 434 099	19 434 099	–
Goodwill and intangible asset	1 321 254	1 321 254	–
Investments	61 126 701	61 126 701	–
Investments linked to investment contract liabilities	21 286 786 037	–	21 286 786 037
Loans receivable	6 401 959	6 401 959	–
Trade and other receivables	195 414 959	29 845 095	165 569 864
<b>Total assets</b>	<b>21 615 216 653</b>	<b>162 860 752</b>	<b>21 452 355 901</b>
<b>EQUITY</b>			
Equity attributable to owners of the parent	126 710 879	126 710 879	–
<b>Total equity</b>	<b>126 710 879</b>	<b>126 710 879</b>	<b>–</b>
<b>LIABILITIES</b>			
Deferred tax liability	8 085 232	1 525 574	6 559 658
Investment contract liabilities	21 423 833 430	–	21 423 833 430
Taxation payable	1 675 797	1 675 797	–
Trade and other payables	54 911 315	32 948 502	21 962 813
<b>Total liabilities</b>	<b>21 488 505 774</b>	<b>36 149 873</b>	<b>21 452 355 901</b>
<b>Total equity and liabilities</b>	<b>21 615 216 653</b>	<b>162 860 752</b>	<b>21 452 355 901</b>

## Statement of comprehensive income (corporate vs policyholder)

In order to evaluate the consolidated comprehensive income of the Group, the Group segregates the statement of comprehensive income between Corporate (own balances) and Policyholder (client-related balances).

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

	Audited – Year ended 30 September 2014		
	Total	Corporate balances	Policyholder balances
	R	R	R
Revenue	165 798 175	165 798 175	–
Operating expenses	(125 998 291)	(125 998 291)	–
Investment contract income	2 865 527 645	–	2 865 527 645
Transfer to investment contract liabilities	(2 865 527 645)	–	(2 865 527 645)
Interest income	4 256 073	4 256 073	–
Other investment income	10 764 923	10 764 923	–
<b>PROFIT FROM OPERATIONS</b>	<b>54 820 880</b>	<b>54 820 880</b>	<b>–</b>
Finance costs	(61 229)	(61 229)	–
<b>OPERATING PROFIT BEFORE TAXATION</b>	<b>54 759 651</b>	<b>54 759 651</b>	<b>–</b>
Taxation	(16 294 133)	(16 294 133)	–
<b>PROFIT FOR THE YEAR</b>	<b>38 465 518</b>	<b>38 465 518</b>	<b>–</b>
Other comprehensive income	–	–	–
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>38 465 518</b>	<b>38 465 518</b>	<b>–</b>
<b>Profit attributable to:</b>			
Owners of the Group	38 465 518	38 465 518	–
Non-controlling interest	–	–	–

## 12. FAIR VALUE

The fair values of all financial instruments approximate the carrying values reflected in the balance sheet.

### *Fair value measurements recognised in the statement of financial position*

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those 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 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

The table below analyses financial assets and liabilities, which are carried at fair value, in the statement of financial position. There were no significant changes in the valuation method and assumptions applied since 30 September 2014.

AUDITED	Level 1	Level 2	Level 3	Total
<b>Financial assets at fair value through profit and loss as at 30 September 2014</b>				
Investments linked to investment contracts	7 279 914 482	14 006 871 555	–	21 286 786 037
Investments (Corporate)	6 945 096	54 181 605	–	61 126 701
	7 286 859 578	14 061 053 160	–	21 347 912 738

AUDITED	Level 1	Level 2	Level 3	Total
<b>Financial liabilities at fair value through profit and loss as at 30 September 2014</b>				
Investment contract liabilities	7 364 817 918	14 059 015 512	–	21 423 833 430
	7 364 817 918	14 059 015 512	–	21 423 833 430

### 13. STATED CAPITAL

	Number of shares	Stated Capital R
<i>Authorised</i>		
1 000 ordinary shares of no par value		
The authorised share capital has been increased to 500 000 000 ordinary shares of no par value after year end		
<i>Issued</i>		
As at 1 October 2013	200	2 858 029
Share split	59 999 800	–
Issue of ordinary shares	40 000 000	270 000 000
As at 30 September 2014	100 000 000	272 858 029

The unissued shares at 30 September 2014 are under the control of the directors until the next annual general meeting.

As at 30 September 2014 the Company had 200 issued ordinary shares of no par value. The reconciliation shown above reflects transactions after year-end that has been restated to reflect the Common Control Transaction and share split that happen after year-end.

#### 14. EARNINGS AND HEADLINE EARNINGS PER SHARE

	SEPTEMBER 2014 R
Profit attributable to ordinary shareholders	38 465 518
Impairment of intangible assets	3 211 204
Gross amount	4 460 006
Tax effect	(1 248 802)
Impairment of fixed assets	429 728
Gross amount	596 843
Tax effect	(167 115)
<b>Headline earnings</b>	<b>42 106 450</b>
<b>Earnings per share</b>	
Earnings per share (basic and diluted) (cents)	38.47
Headline earnings per share (basic and diluted) (cents)	42.11
Number of shares issued	200
Weighted average number of shares	100 000 000
Net asset value per share (Rand)	1.27
Tangible net asset value per share (Rand)	1.23

The weighted average number of shares for September 2014 is adjusted to reflect the share split and the issue of 40 000 000 additional shares to pay for the purchase of Sygnia Life to reflect the Company's accounting policy of restating comparative figures for business combinations involving entities under common control.

#### 15. RELATED PARTY TRANSACTIONS

Related-party transactions similar to those disclosed in the Group's financial statement for the year ended 30 September 2014 took place during the period under review except for the following:

##### **Sygnia Investment Holdings (common control)**

Sygnia Investment Holdings No 2 acquired 100% of the share capital of Sygnia Life from Sygnia Investment Holdings. The consideration was settled by the issue of shares from Sygnia Investment Holdings No 2 to Sygnia Investments Holdings. Refer to note 7.

#### 16. EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any matter or circumstances, other than listed below, arising since the end of the financial period, not otherwise dealt with in Pre-Listing Statement, which significantly affect the financial position of the Group or the results of their operations:

- With effect from 1 October 2014, Sygnia Investment Holdings No 2 bought all the ordinary shares in Sygnia Life from Sygnia Investment Holdings to create one group through a common control transaction
- Dividends of R20,692,705 have been declared and paid between the reporting date and the date that these Special Purpose Financial Statements were approved, excluding the dividend listed below
- A dividend of R20,000,000 was declared on 10 September 2015 of which only R1,500,000 was paid when these Special Purpose Financial Statements were approved
- On 10 September 2015 the board approved a resolution for the Ordinary Shares of Sygnia to be listed on the JSE together with an Offer for Subscription for 28,244,834 Ordinary Shares to the value of R237,256,606 upon Listing
- Sygnia and its subsidiary, Sygnia Asset Management, have agreed with Ulundi Holdings to swap Ulundi Holdings 20% shareholding in Sygnia Asset Management for shares in Sygnia

17. **INSURANCE RISK**

Contracts issued by the subsidiary, Sygnia Life, only include finance risk and therefore all contracts issued by the Company are classified as investment contracts. The Group's approach to financial risk management has been described in note 11.

18. **DIVIDEND DECLARATION**

Dividends of R12,000,000 were declared and paid during the year.

	<b>SEPTEMBER</b>
	<b>2014</b>
	<b>Cents</b>
Dividend per share	12.00

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## REPORTING ACCOUNTANT'S REPORT ON THE 2014 SPECIAL PURPOSE FINANCIAL STATEMENTS

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"The Directors  
Sygnia Limited  
7th Floor, The Foundry  
Cardiff Street, Green Point  
8001

22 September 2015

Dear Sirs and Mesdames

### **Independent Reporting Accountant's Report on the Report of 2014 Special Purpose Financial Statements**

#### **Introduction**

The definitions commencing on page 5 of the Pre-Listing Statement to which this letter is attached apply *mutatis mutandis* to this report.

At your request, and for the purposes of the Pre-Listing Statement, we have audited the preamble, consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, accounting policies for the year then ended and other explanatory related special purpose notes ("2014 Special Purpose Financial Statements") of the Group for the year ended 30 September 2014. These have been prepared in accordance with the basis of preparation and the accounting policies as presented in the Report of the 2014 Special Purpose Financial Statements, attached as Annexure 5 to this Pre-Listing Statement, prepared with the specific purpose to meet paragraph 8.2 of the Listings Requirements to provide comparative information where interim financial information is prepared, as is presented in Annexure 7.

Deloitte is the independent reporting accountant to Sygnia Investment Holdings and Sygnia Investment Holdings No 2.

#### **Responsibility of the Directors**

The Directors are responsible for the compilation, contents and preparation of the Pre-Listing Statement including the 2014 Special Purpose Financial Statements in accordance with the Listings Requirements.

The Directors are also responsible for preparing the 2014 Special Purpose Financial Statements in accordance with the requirements of the Listings Requirements, as set out in the basis of preparation paragraph and the accounting policies as included in Annexure 5 to the Pre-Listing Statement, and for such internal control as the Directors determine is necessary to enable the preparation of the 2014 Special Purpose Financial Statements that are free from material misstatement whether due to fraud or error.

#### **Responsibility of the Independent Reporting Accountant**

Our responsibility is to express an audit opinion on the 2014 Special Purpose Financial Statements, attached as Annexure 5 to the Pre-Listing Statement, based on our audit, as at and for the year ended 30 September 2014, in accordance with International Standards on Auditing Standard 805, Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement (ISA 805). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the 2014 Special Purpose Financial Statements are free from material misstatement.

### *Scope of audit*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 2014 Special Purpose Financial Statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the 2014 Special Purpose Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 2014 Special Purpose Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the 2014 Special Purpose Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the 2014 Special Purpose Financial Statements, as set out in Annexure 5 to the Pre-Listing Statement, comprising of the preamble, consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, accounting policies and other explanatory related special purpose notes of the Group for the year ended ("2014 Special Purpose Financial Statements") are prepared, in all material respects, for the purpose of the Pre-Listing Statement, in accordance with the basis of preparation paragraph and accounting policies included in Annexure 5 to the Pre-Listing Statement and the requirements of the Listings Requirements.

### *Basis of accounting*

Without modifying our opinion, we draw attention to Note 2 and Note 4 to the 2014 Special Purpose Financial Statements, which describe the basis of accounting. We also draw attention to the fact that these 2014 Special Purpose Financial Statements have been prepared specifically to meet the Listings Requirements for the Group to present audited 2014 Special Purpose Financial Statements, as set out in Annexure 5 to the Pre-Listing Statement, and may not be suitable for another purpose.

### **Deloitte & Touche**

Registered Auditors

Per Danie Crowther

Partner

Deloitte & Touche

1st Floor, The Square, Cape Quarter,

27 Somerset Road, Green Point,

8005

**National executive:** \*LL Bam (*Chief Executive*), \*AE Swiegers (*Chief Operating Officer*), \*GM Pinnock (*Audit*), DL Kennedy (*Risk Advisory*), \*NB Kader (*Tax*), TP Pillay (*Consulting*), S Gwala (*BPaaS*), \*K Black (*Clients and Industries*), \*JK Mazzocco (*Talent and Transformation*), \*MJ Jarvis (*Finance*), \*M Jordan (*Strategy*), \*TJ Brown (*Chairman of the Board*) and MJ Comber (*Deputy Chairman of the Board*)

\* *Partner and Registered Auditor*

A full list of partners and directors is available on request.

B-BBEE rating: Level 2 contributor in terms of the Chartered Accountancy Profession Sector Code.

Member of Deloitte Touche Tohmatsu Limited"

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## REPORT OF INTERIM HISTORICAL FINANCIAL INFORMATION

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The definitions commencing on page 5 of this Pre-Listing Statement have been used throughout this Annexure 7.

As detailed in paragraph 1.2 of this Pre-Listing Statement (titled 'Incorporation and History'), the Group originally comprised of two holding companies, namely, Sygnia Investment Holdings and Sygnia Investment Holdings No 2. Sygnia Investment Holdings held a 100% interest in Sygnia Life and Sygnia Investment Holdings No 2 held the other subsidiaries. With effect from 1 October 2014, Sygnia Investment Holdings sold Sygnia Life to Sygnia Investment Holdings No 2 to create one group through a common control transaction.

The Group has adopted the following accounting policy with regards to the common control transaction, which has been applied retrospectively by the Group for purposes of the preparation of the condensed financial statements of the Group for the six month periods ended 31 March 2015 and 2014, prepared in accordance with IAS 34: *Interim Financial Reporting* ("Condensed Consolidated Financial Statements"):

"For business combinations involving entities or businesses under common control the Group, as acquirer, accounts for the common control transactions using book value accounting in the consolidated financial statements. The book value of the entity transferred is used. The Group has also elected to restate the comparative figures it has previously presented in its consolidated financial statements to present the combining entities as if they have historically always been one consolidated entity. The Group recognises the difference between the consideration transferred and the share capital of the acquiree as an adjustment to equity. The adjustment is reflected as a separate common control reserve account in equity, the common control reserve."

### BASIS OF PREPARATION

#### 2015 Interim Historical Financial Information

The 2015 Interim Historical Financial Information for the six months ended 31 March 2015, comprising of the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the six month period ended 31 March 2015, the condensed consolidated statement of financial position as at 31 March 2015 and the notes thereto, has been extracted from the reviewed Condensed Consolidated Financial Statements. The 2015 Interim Historical Financial Information has been prepared in accordance with IAS 34: Interim Financial Reporting and the additional disclosure required in terms of paragraphs 8.11 and 8.12 of the Listings Requirements has been included.

#### 2014 Interim Historical Financial Information

The 2014 Interim Historical Financial Information for the six months ended 31 March 2014, comprising of the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the six month period ended 31 March 2014 and the notes thereto, has been extracted from the reviewed Condensed Consolidated Financial Statements. The 2014 Interim Historical Financial Information has been prepared in accordance with IAS 34: Interim Financial Reporting, with the exception that the statement of financial position as at 31 March 2014 has been excluded. The statement of financial position as at 30 September 2014 was audited by Deloitte and is included as Annexure 5 to this Pre-Listing Statement to comply with the IAS 34 requirement to present comparatives. The additional disclosure required in terms of paragraphs 8.11 and 8.12 of the Listings Requirements has also been included.

The preparation of the 2014 Interim Historical Financial Information is in accordance with Section 8 of the Listings Requirements which requires, *inter alia*, that:

- If at the date of the Pre-Listing Statement, more than nine months have elapsed since the end of the last financial year, reviewed interim financial information is to be prepared in accordance with IFRS on Interim Financial Reporting, and is to be presented for the first six months ended, subsequent to the relevant subject matter's latest financial year ended; and
- If the 2015 Interim Historical Financial Information has been prepared using accounting policies that are not identical to those contained in the Historical Financial Information required to be presented in the Pre-Listing Statement in accordance with paragraph 8.2 of the Listings Requirements, comparative results need to be prepared.

The 2015 and the 2014 Interim Historical Financial Information are collectively referred to as the Interim Historical Financial Information for the purposes of this report.

KPMG is the Reporting Accountant to the Group. KPMG conducted its review of the 2015 Interim Historical Financial Information in accordance with International Standard on Review Engagements ISRE 2410, while the review of the 2014 Interim Historical Financial Information was conducted in accordance with International Standard on Review Engagements ISRE 2400 (revised). KPMG's unqualified reports are available for inspection at the Company's registered office.

The Directors are responsible for the Report of Interim Historical Financial Information presented in this Annexure 7 to the Pre-Listing Statement.

## **COMMENTARY ON THE INTERIM HISTORICAL FINANCIAL INFORMATION OF SYGNIA**

### **Financial overview for the six month period ended 31 March 2015**

Sygnia generated a profit before tax of R40.7 million. Dividends of R11,367,705 were declared and paid for the six months ended 31 March 2015. During the period Sygnia entered into an agreement with Sygnia Investment Holdings to acquire the entire issued share capital of Sygnia Life for a purchase consideration of R270 million. The purchase consideration was settled by the issue of 40,000,000 Ordinary Shares in Sygnia to Sygnia Investment Holdings and was accounted for as a common control transaction. Furthermore, on 1 October 2014 there was a share split of 59,999,800 Ordinary Shares increasing the issued share capital from 200 Ordinary Shares as at 30 September 2014 to 100,000,000 Ordinary Shares as at 31 March 2015. There are no other material matters for the Shareholders to appreciate the state of affairs of the Group.

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**  
**AT 31 MARCH 2015**

	Notes	<b>REVIEWED</b> <b>31 MARCH 2015</b> <b>R</b>
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		<b>25 115 033 463</b>
Deferred tax asset		2 834 095
Furniture and equipment		18 896 567
Goodwill		379 155
Intangible asset	8	886 148
Investments		63 642 270
Investments linked to investment contract liabilities	11	25 028 395 228
<b>CURRENT ASSETS</b>		<b>282 231 641</b>
Trade and other receivables		204 144 046
Cash and cash equivalents		66 274 569
Loans receivable		10 807 930
Taxation receivable		1 005 096
<b>TOTAL ASSETS</b>		<b>25 397 265 104</b>
<b>EQUITY</b>		
<b>EQUITY</b>		<b>144 597 287</b>
Stated capital	13	272 858 029
Retained income		91 039 245
Reserves		(219 299 987)
<b>TOTAL EQUITY</b>		<b>144 597 287</b>
<b>LIABILITIES</b>		
<b>NON-CURRENT LIABILITIES</b>		<b>25 133 047 625</b>
Deferred tax liabilities		12 323 335
Investment contract liabilities	11	25 120 724 290
<b>CURRENT LIABILITIES</b>		<b>119 620 192</b>
Trade and other payables		114 218 401
Loans payable		2 055 231
Taxation payable		3 346 560
<b>TOTAL LIABILITIES</b>		<b>25 252 667 817</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>25 397 265 104</b>
Weighted number of Shares at the end of the year		100 000 000
Basic and diluted earnings per Share (cents)		29.25
Headline and diluted headline earning per Share (cents)		30.28
Net asset value per Share (Rands)		1.45
Tangible net asset value per Share (Rands)		1.40
Dividends per Share (cents)		11.37

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME  
FOR THE SIX MONTH PERIOD ENDED 31 MARCH 2015**

		<b>REVIEWED SIX MONTHS ENDED 31 MARCH 2015 R</b>	<b>REVIEWED SIX MONTHS ENDED 31 MARCH 2014 R</b>
	Notes		
Revenue		109 788 436	77 585 200
Operating expenses		(77 146 672)	(62 141 440)
Investment contract income		2 257 223 261	1 555 015 224
Transfer to investment contract liabilities		(2 257 223 261)	(1 555 015 224)
Interest income		2 601 758	1 993 097
Other investment income		5 610 964	7 891 232
<b>PROFIT FROM OPERATIONS</b>		<b>40 854 486</b>	<b>25 328 089</b>
Finance costs		(196 071)	(48)
<b>PROFIT BEFORE TAX</b>		<b>40 658 415</b>	<b>25 328 041</b>
Income tax expense		(11 404 302)	(7 184 407)
<b>TOTAL PROFIT AND COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>29 254 113</b>	<b>18 143 634</b>
<b>Earnings per Share (cents)</b>			
Basic and diluted	14	29.25	18.14
Headline (basic and diluted)		30.28	21.03

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTH PERIOD ENDED 31 MARCH 2015**

	Notes	Group equity adjustment R	Share-based payment reserve R	Stated capital control reserve R	Common control reserve R	Retained income R	Total equity R
<b>Reviewed</b>							
<b>Balance at 1 October 2013</b>		(307 062)	33 584 073	2 858 029	-	2 910 648	39 045 688
<b>Changes in ownership interests</b>							
Common control acquisition of subsidiary	7	-	-	270 000 000	(252 576 998)	43 776 671	61 199 673
<b>Adjusted balance at 1 October 2013</b>		(307 062)	33 584 073	272 858 029	(252 576 998)	46 687 319	100 245 361
<b>Total comprehensive income</b>							
Total profit and comprehensive income for the period		-	-	-	-	18 143 634	18 143 634
<b>Total comprehensive income for the period</b>							
<b>Total comprehensive income for the period</b>							
<b>Transactions with owners</b>							
Dividends paid		-	-	-	-	(3 600 000)	(3 600 000)
<b>Total transactions with owners of the Group</b>							
<b>Total transactions with owners of the Group</b>							
<b>Balance at 31 March 2014</b>		(307 062)	33 584 073	272 858 029	(252 576 998)	61 230 953	114 788 995
<b>Reviewed</b>							
<b>Balance at 1 October 2014</b>		(307 062)	33 584 073	272 858 029	(252 576 998)	73 152 837	126 710 879
<b>Total comprehensive income</b>							
Total profit and comprehensive income for the period		-	-	-	-	29 254 113	29 254 113
<b>Total comprehensive income for the period</b>							
<b>Total comprehensive income for the period</b>							
<b>Transactions with owners</b>							
Dividends paid		-	-	-	-	(11 367 705)	(11 367 705)
<b>Total transactions with owners of the Group</b>							
<b>Total transactions with owners of the Group</b>							
<b>Balance at 31 March 2015</b>		(307 062)	33 584 073	272 858 029	(252 576 998)	91 039 245	144 597 287

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS  
FOR THE SIX MONTH PERIOD ENDED 31 MARCH 2015**

	REVIEWED SIX MONTHS ENDED 31 MARCH 2015 R	REVIEWED SIX MONTHS ENDED 31 MARCH 2014 R
Notes		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	40 658 415	25 328 041
Non-cash movements and adjustments to profit before tax	5 699 710	8 954 829
Changes in working capital	48 227 259	20 136 078
Cash generated by operations	94 585 384	54 418 948
Dividends received	364 603	230 185
Interest received	2 601 758	1 993 097
Interest paid	(196 071)	(48)
Taxation paid	(10 711 418)	(8 115 235)
<b>Net cash inflow from operating activities</b>	<b>86 644 256</b>	<b>48 526 947</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to furniture and equipment	(3 654 973)	(6 827 475)
Additions to intangible assets	(1 570 468)	(2 812 377)
Common control acquisition of subsidiary, net of cash acquired	7	13 795 935
Net purchase of investments	(2 417 923)	(15 736 889)
Net purchase of investments linked to investment contract liabilities	(3 741 609 191)	(1 945 874 487)
Proceeds on disposals of furniture and equipment	1 486 382	15 411
<b>Net cash outflow from investing activities</b>	<b>(3 747 766 173)</b>	<b>(1 957 439 882)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	(11 367 705)	(3 600 000)
Policyholder investment contracts	3 696 890 860	1 925 674 591
<b>Net cash inflow from financing activities</b>	<b>3 685 523 155</b>	<b>1 922 074 591</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>24 401 238</b>	<b>13 161 656</b>
Cash and cash equivalents at beginning of the period	41 873 331	26 415 909
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>66 274 569</b>	<b>39 577 565</b>

## NOTES TO THE REPORT OF INTERIM HISTORICAL FINANCIAL INFORMATION

### 1. REPORTING ENTITY

Sygnia is a company domiciled in South Africa. The condensed consolidated interim financial statements ("interim financial statements") as at and for the six months ended 31 March 2015, from which this Report of Interim Historical Financial Information has been derived, comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is primarily involved in the provision of investment management related services.

### 2. BASIS OF PREPARATION

#### **Historical financial information of the Group for the six month period ended and as at 31 March 2015 ("2015 Interim Historical Financial Information")**

The 2015 Interim Historical Financial Information for the six months ended 31 March 2015, comprising of the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the six month period ended 31 March 2015, the condensed consolidated statement of financial position as at 31 March 2015 and the notes thereto, has been extracted from the reviewed Condensed Consolidated Financial Statements. The 2015 Interim Historical Financial Information has been prepared in accordance with IAS 34: Interim Financial Reporting and the additional disclosure required in terms of paragraphs 8.11 and 8.12 of the Listings Requirements has been included.

#### **Historical financial information of the Group for the six month period ended 31 March 2014 ("2014 Interim Historical Financial Information")**

The 2014 Interim Historical Financial Information for the six months ended and as at 31 March 2014, comprising of the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the six month period ended 31 March 2014 and the notes thereto, has been extracted from the reviewed Condensed Consolidated Financial Statements. The 2014 Interim Historical Financial Information has been prepared in accordance with IAS 34: Interim Financial Reporting, with the exception that the statement of financial position as at 31 March 2014 has been excluded. The statement of financial position as at 30 September 2014 was audited by Deloitte and is included as Annexure 5 to this Pre-Listing Statement to comply with the IAS 34 requirement to present comparatives. The additional disclosure required in terms of paragraphs 8.11 and 8.12 of the Listings Requirements has also been included.

The preparation of the 2014 Interim Historical Financial Information is in accordance with Section 8 of the Listings Requirements which requires, *inter alia*, that:

- If at the date of the Pre-Listing Statement, more than nine months have elapsed since the end of the last financial year, reviewed interim financial information is to be prepared in accordance with IFRS on Interim Financial Reporting, and is to be presented for the first six months ended, subsequent to the relevant subject matter's latest financial year ended; and
- If the interim financial information has been prepared using accounting policies that are not identical to those contained in the historical financial information required to be presented in the Pre-Listing Statement in accordance with paragraph 8.2 of the Listings Requirements, comparative results need to be prepared.

### 3. GOING CONCERN

The Interim Historical Financial Information has been prepared on the basis of accounting policies applicable to a going concern. The 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.

#### 4. ACCOUNTING POLICIES

The accounting policies applied in the preparation of these interim financial statements conform to IFRS and are consistent with those accounting policies applied in the preparation of the consolidated financial statements as at and for the year ended 30 September 2014, apart from the following accounting policies which are set out below.

The accounting policies for Investment Contract Liabilities, Financial Instruments and Foreign Exchange transactions is consistent with policies applied by Sygnia Life in previous periods and are disclosed below as it is the first time that these accounting policies are used by the Group.

An accounting policy has also been included for 'acquisition of business under common control' as this is the first time the entity has entered into such a transaction.

##### ***Investment contract liabilities***

In terms of the definition of insurance contracts in IFRS 4, the contracts issued by Sygnia Life do not qualify as insurance contracts. These contracts are accounted for in terms of IAS 32 and IAS 39 on financial instruments. Amounts received under investment contracts are recorded as deposits and credited directly to investment contract liabilities. Amounts paid under investment contracts are recorded as deductions from investment contract liabilities.

Disclosure in the statement of comprehensive income has been made to reflect all income, including realised and unrealised profit, relating to policyholders into one line item called 'investment contract income' and all the expenses relating to policyholders into one line item called 'transfer to investment contract liabilities'. Disclosure in the statement of financial position has been made to reflect all the policyholder assets in one line item called 'investments linked to investment contracts'.

##### ***Financial instruments***

###### *Classification and measurement*

###### *Financial assets held for trading*

A financial asset is classified in this category if acquired principally for the purpose of selling or buying back in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Financial assets held for trading include 'Investments' and 'Investments linked to investment contract liabilities'. Measurement is initially at fair value with transaction costs recognised in the statement of comprehensive income. Subsequently their fair values are remeasured and all gains and losses, realised and unrealised, are recognised in profit or loss in the period in which they arise, without any deduction for transaction costs it may incur on their disposal. Dividend income on financial assets held for trading is recognised in profit or loss as dividend income.

###### *Financial liabilities designated at fair value through profit or loss – investment contracts*

The Group issues investment contracts that transfer financial risk to the holders of the instruments. Investment contracts are recognised as financial liabilities in the statement of financial position when the Group becomes party to their contractual provisions. Contributions received from or withdrawals made by policyholders are recognised in investment contract liabilities.

All investment contracts issued by the Group are designated by the Group on initial recognition as at fair value through profit or loss. This designation eliminates or significantly reduces a measurement inconsistency that would otherwise arise if these financial liabilities were not measured at fair value since the assets held to back the investment contract liabilities are also measured at fair value.

Changes in the fair value of investment contracts are included in profit or loss as part of the transfer to investment contract in the period in which they arise.

##### ***Foreign exchange transactions***

Transactions in foreign currencies are accounted for at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the reporting date. Realised and unrealised exchange gains and losses relating to investment contract liabilities are recognised in investment contract income in the period in which they occur.

##### ***Business combinations under common control***

For business combinations involving entities or businesses under common control the Group, as acquirer, accounts for the common control transactions using book value accounting in the consolidated financial statements. The book value of the entity transferred is used. The Group has also elected to restate the comparatives figures it has previously presented in its consolidated financial statements to present the combining entities as if they have historically always

been one consolidated entity. The Group recognises the difference between the consideration transferred and the share capital of the acquiree as an adjustment to equity. The adjustment is reflected as a separate common control reserve account in equity, the common control reserve.

***Accounting standards and interpretations affecting amounts reported in the current period (and/or prior periods)***

There were no new standards and interpretations issued during the period that had a material impact on the Group's reported results or disclosures.

**5. USE OF ESTIMATES AND JUDGEMENTS**

In preparing the Interim Historical Financial Information, 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 2014, except for those that applied to Sygnia Life and for judgements used in business combinations under common control.

The significant judgements made by management in applying the Sygnia Life's accounting policies and the key sources of estimation uncertainty is consistent with those that applied to Sygnia Life in previous periods.

Further information about the assumptions made in measuring fair values are disclosed in Note 12 and include those relating to Sygnia Life.

Further information about the judgements used in business combinations under common control are disclosed in notes 4 and 7.

**6. 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.

**7. ACQUISITION OF SUBSIDIARY**

**Acquisition of Sygnia Life**

During the period Sygnia entered into an agreement with Sygnia Investment Holdings to acquire the entire issued share capital of Sygnia Life for a purchase consideration of R270 million. The purchase consideration was settled by the issue of 40,000,000 Ordinary Shares in Sygnia to Sygnia Investment Holdings. As at 31 March 2015, the Group therefore held 100% of Sygnia Life. Sygnia Life was acquired in terms of a common control business combination transaction and therefore falls outside of the scope of IFRS 3.

**REVIEWED****Details of the net assets acquired are as follows:****R**

Accounts receivable and prepayments	103 229 991
Cash and cash equivalents	13 795 935
Furniture and equipment	2 752 632
Investments	43 017 473
Investments linked to investment contract liabilities	19 008 156 774
Loan receivable	8 488 804
Taxation receivable	369 617
Deferred taxation	(3 422 708)
Investment contract liabilities	(19 051 291 976)
Accounts payable and other accruals	(63 850 027)
Value added taxation	(46 842)
Net asset value as at 1 October 2013	61 199 673
Shares issued by Sygnia Investment Holdings No 2	(270 000 000)
Adjustment to account for retained earnings of Sygnia Life	(43 776 671)
Common control reserve	(252 576 998)

**8. INTANGIBLE ASSET****REVIEWED****as at 31 March 2015****Computer software****At cost****R**

Opening balance at 1 October 2014	7 830 500
Additions	1 570 467
Closing balance at 31 March 2015	9 400 967
<b>Accumulated amortisation</b>	
Opening balance at 1 October 2014	6 888 401
Amortisation	270 762
Impairment	1 355 656
Closing balance at 31 March 2015	8 514 819
Net book value at 31 March 2015	886 148

**9. CAPITAL COMMITMENTS****REVIEWED****MARCH****2015****R**

Operating lease commitments	
Up to 1 year	10 414 550
1 to 5 years	40 288 410
More than 5 years	–
	50 702 960

## 10. CONTINGENT LIABILITY

At the period-end, Zamek Management, a subsidiary of the Group, as the General Partner in the Sygnia Absolute LLP, Sygnia All Star LLP, Sygnia Signature LLP and Sygnia All Star Institutional LLP, is solely liable to the creditors of the partnerships and solely liable for all debts of the partnerships.

## 11. FINANCIAL RISK MANAGEMENT

The condensed consolidated interim financial statements do not include all risk management information and disclosure required in the annual financial statements and should be read in conjunction with the Group's financial statements for the year ended 30 September 2014.

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements, except for those relating to Sygnia Life. Sygnia Life's financial risk management objectives and policies are consistent with those disclosed by Sygnia Life in previous periods and are disclosed below as it is the first time that these apply to the Group.

### *Capital risk management*

The Group's asset management subsidiary, Collective Investment Scheme Management subsidiary, LISP subsidiary and Sygnia Life are regulated businesses. The capital requirements of the abovementioned companies are set out by legislation. The adequacy percentage of capital is monitored by management on a regular basis and the position reported to the Financial Services Board.

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

### *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligation or incur a change in its creditworthiness, resulting in a financial loss to the Group.

The Group has no significant concentration of credit risk. The Group has policies in place to ensure that it deals with clients with an appropriate credit history. Cash resources and longer term investments are limited to high credit quality financial institutions. The Group has policies in place to limit the credit exposure to any one financial institution. The Group has a history of very few bad debts. The liability to policyholders is linked to the value of the assets held. Credit risk is assumed by the policyholder.

### *Liquidity risk*

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group manages its liquidity requirements by monitoring forecasted cash flows and has made arrangements for sufficient committed credit facilities. The liquidity risk associated with the Group being contractually obligated to repay policyholders on demand is managed through the investment composition of assets included in the policyholder portfolios and by contract with the policyholders. Such contracts mitigate the liquidity risk faced by the Group and passes this on to policyholders in the ordinary course of business and in the event that substantial withdrawals require large scale disinvestment of the assets in these portfolios.

### *Cash flow and interest rate risk*

The Group's income and cash flows are based mainly on contractual administration fees. The Group does not have any variable-rate borrowings. The Group's policy is to monitor cash requirement and invest surplus cash at market rate where appropriate.

### *Market risk, interest rate risk and currency risk*

Market risk is the potential impact on earnings of unfavourable changes in foreign exchange rates, interest rates, prices, market volatilities and liquidity. A large portion of the Group's income is derived from fees levied on the market value of the investments that it manages and administers. As the fees are dependent on the daily market value of the investments, any market movements affect the Group accordingly. Market risk is mitigated through the diversification of investment mandates such that revenue is not overly exposed to any single sector of the investment market. Investment management capacity is monitored to ensure that the performance of a specific investment is not unduly compromised through excessive scale.

With regard to the subsidiary, Sygnia Life, the majority of the market risk, currency risk and interest rate risk is assumed by the policyholders and not the Group. The Group is not exposed to market risk and interest rate risk in respect of investment contract liabilities, as the benefits under the contracts are linked to the fair value of the underlying assets. Market risk, currency risk and interest rate risk are assumed by the policyholders.

#### Statement of financial position (corporate vs policyholder)

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

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 Policyholder (client-related balances).

Policyholder balances represent the investment contract liabilities and related linked client assets of Sygnia Life, the related portfolio debtors and creditors accounts as well as deferred taxation and related bank accounts.

	Reviewed – as at 31 March 2015		
	Total R	Corporate balances R	Policyholder balances R
<b>ASSETS</b>			
Cash and cash equivalents	66 274 569	66 274 569	–
Deferred tax asset	2 834 095	2 834 095	–
Furniture and equipment	18 896 567	18 896 567	–
Goodwill and intangible asset	1 265 303	1 265 303	–
Investments	63 642 270	63 642 270	–
Investments linked to investment contract liabilities	25 028 395 228	–	25 028 395 228
Loans receivable	10 807 930	10 807 930	–
Trade and other receivables	204 144 046	41 156 496	162 987 550
Taxation receivable	1 005 096	1 005 096	–
<b>Total assets</b>	<b>25 397 265 104</b>	<b>205 882 326</b>	<b>25 191 382 778</b>
<b>EQUITY</b>			
Equity attributable to owners of the parent	144 597 287	144 597 287	–
<b>Total equity</b>	<b>144 597 287</b>	<b>144 597 287</b>	<b>–</b>
<b>LIABILITIES</b>			
Deferred tax liability	12 323 335	1 528 572	10 794 763
Investment contract liabilities	25 120 724 290	–	25 120 724 290
Loans payable	2 055 231	2 055 231	–
Taxation payable	3 346 560	3 346 560	–
Trade and other payables	114 218 401	54 354 676	59 863 725
<b>Total liabilities</b>	<b>25 252 667 817</b>	<b>61 285 039</b>	<b>25 191 382 778</b>
<b>Total equity and liabilities</b>	<b>25 397 265 104</b>	<b>205 882 326</b>	<b>25 191 382 778</b>

Statement of comprehensive income (corporate vs policyholder)

	Reviewed – Six months ended 31 March 2015		Reviewed – Six months ended 31 March 2014	
	Total	Corporate balances	Total	Corporate balances
	R	R	R	R
Revenue	109 788 436	109 788 436	77 585 200	77 585 200
Operating expenses	(77 146 672)	(77 146 672)	(62 141 440)	(62 141 440)
Investment contract income	2 257 223 261	-	1 555 015 224	-
Transfer to investment contract liabilities	(2 257 223 261)	(2 257 223 261)	(1 555 015 224)	(1 555 015 224)
Interest income	2 601 758	2 601 758	1 993 097	1 993 097
Other investment income	5 610 964	5 610 964	7 891 232	7 891 232
<b>Profit from operations</b>	<b>40 854 486</b>	<b>40 854 486</b>	<b>25 328 089</b>	<b>25 328 089</b>
Finance costs	(196 071)	(196 071)	(48)	(48)
<b>Operating profit before taxation</b>	<b>40 658 415</b>	<b>40 658 415</b>	<b>25 328 041</b>	<b>25 328 041</b>
Taxation	(11 404 302)	(11 404 302)	(7 184 407)	(7 184 407)
<b>Total profit and comprehensive income for the period</b>	<b>29 254 113</b>	<b>29 254 113</b>	<b>18 143 634</b>	<b>18 143 634</b>

## 12. FAIR VALUES

The fair values of all financial instruments approximate the carrying values reflected in the balance sheet.

### *Fair value measurements recognised in the statement of financial position*

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those 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 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

The table below analyses financial assets and liabilities, which are carried at fair value, in the statement of financial position. There were no significant changes in the valuation method and assumptions applied since 30 September 2014.

<b>REVIEWED</b>				
<b>Financial assets at fair value through profit and loss as at 31 March 2015</b>	<b>Level 1 R</b>	<b>Level 2 R</b>	<b>Level 3 R</b>	<b>Total R</b>
Investments linked to investment contracts	10 050 034 528	14 978 360 700	–	25 028 395 228
Investments	6 478 449	57 163 821	–	63 642 270
	10 056 512 977	15 035 524 521	–	25 092 037 498
<b>REVIEWED</b>				
<b>Financial liabilities at fair value through profit and loss as at 31 March 2015</b>				
Investment contract liabilities	10 050 034 528	15 070 689 762	–	25 120 724 290
	10 050 034 528	15 070 689 762	–	25 120 724 290

## 13. STATED CAPITAL

	<b>Number of Shares</b>	<b>Stated capital R</b>
<i>Authorised</i>		
500 000 000 Ordinary Shares of no par value (2014: 1 000 Ordinary Shares of no par value)		
<i>Issued</i>		
As at 1 October 2014	200	2 858 029
Share split	59 999 800	–
Issue of Ordinary Shares	40 000 000	270 000 000
As at 31 March 2015	100 000 000	272 858 029

The unissued Shares at 31 March 2015 are under the control of the Directors until the next annual general meeting.

#### 14. EARNINGS AND HEADLINE EARNINGS PER SHARE

	REVIEWED MARCH 2015 R	REVIEWED MARCH 2014 R
Profit attributable to Ordinary Shareholders	29 254 113	18 143 634
Non-headline items (net of tax)		
– Loss on disposal of furniture and equipment	48 138	–
– Furniture and equipment written off	–	8 922
– Compensation from third parties	–	(11 096)
– Impairment of intangible assets	976 072	2 885 481
<b>Headline earnings</b>	<b>30 278 323</b>	<b>21 026 941</b>
<b>Earnings per Share (cents)</b>		
Earnings per Share (basic and diluted)	29.25	18.14
Headline earnings per Share (basic and diluted)	30.28	21.03
Number of Shares issued	100 000 000	200
Weighted average number of Shares	100 000 000	100 000 000

#### 31 March 2015

Net asset value per Share (Rand) 1.45

Tangible net asset value per Share (Rand) 1.40

The weighted average number of Shares for March 2014 are adjusted to reflect the share split and the issue of 40,000,000 additional Shares to pay for the purchase of Sygnia Life to reflect the Group's accounting policy of restating comparative figures for business combinations involving entities under common control.

#### 15. RELATED PARTY TRANSACTIONS

Related party transactions similar to those disclosed in the Group's financial statements for the year ended 30 September 2014 took place during the period under review except for the following:

##### **Sygnia Investment Holdings (common control business combination transaction)**

Sygnia Investment Holdings No 2 acquired 100% of the share capital of Sygnia Life from Sygnia Investment Holdings. The consideration was settled by the issue of shares from Sygnia Investment Holdings No 2 to Sygnia Investments Holdings. The details of this transaction are set out in note 7.

##### **Transaction with Director**

During the six months ended 31 March 2015, artwork was sold at fair value to M Wierzycka for an amount of R1,694,475 (2014: Rnil).

## 16. EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any matter or circumstances, other than listed below, arising since the end of the financial period, not otherwise dealt with in the interim financial statements, which significantly affect the financial position of the Group or the results of their operations:

- Dividends of R8,700,000 have been declared and paid between the reporting date and the date that these interim financial statements were approved, excluding the dividend listed below.
- A dividend of R20,000,000 was declared on 10 September 2015 of which only R1,500,000 has been paid up to the date that these interim financial statements were approved.
- On 10 September 2015 the board approved a resolution for the Ordinary Shares of Sygnia to be listed on the JSE together with an Offer for Subscription for 28,244,834 Ordinary Shares to the value of R237,256,606 on Listing.
- Sygnia and its subsidiary, Sygnia Asset Management, have agreed with Ulundi Holdings to swap Ulundi Holdings' 20% shareholding in Sygnia Asset Management for shares in Sygnia.

## 17. INSURANCE RISK

Contracts issued by the subsidiary, Sygnia Life, only include finance risk and therefore all contracts issued by the Company are classified as investment contracts. The Group's approach to financial risk management has been described in note 11.

## 18. DIVIDEND DECLARATION

Dividends of R11,367,705 (March 2014: R3,600,000) were declared and paid during the period.

	<b>REVIEWED SIX MONTHS ENDED 31 MARCH 2015 Cents</b>	<b>REVIEWED SIX MONTHS ENDED 31 MARCH 2014 Cents</b>
Dividend per share	11.37	3.60

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## REPORTING ACCOUNTANT'S REPORT ON THE REPORT OF 2015 INTERIM HISTORICAL FINANCIAL INFORMATION OF THE GROUP

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"The Directors  
Sygnia Limited  
PO Box 51591  
Waterfront  
8002

22 September 2015

Dear Sirs

### **Independent Reporting Accountant's Report on the Report of Interim Historical Financial Information of Sygnia Limited and its subsidiaries (collectively "the Group") for the six months ended 31 March 2015**

#### *Introduction*

The definitions commencing on page 5 of the Pre-Listing Statement to which this letter is attached apply *mutatis mutandis* to this report.

At your request, and for the purposes of the Pre-Listing Statement, we have reviewed the historical financial information of the Group for the six months ended 31 March 2015 which comprises the condensed consolidated statement of financial position, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow for the six months then ended, a summary of significant accounting policies and other explanatory notes ("the Interim Historical Financial Information"). The 2015 Interim Historical Financial Information has been prepared in accordance with the requirements of the Listings Requirements, as set out in the basis of preparation paragraph and the accounting policies, and is included as Annexure 7 to the Pre-Listing Statement.

KPMG Inc. is the independent reporting accountant and auditor to Sygnia Limited.

#### *Responsibility of the Directors*

The Directors are responsible for the compilation, contents and preparation of the Pre-Listing Statement including the Report of Interim Historical Financial Information in accordance with the Listings Requirements.

The Directors are also responsible for the preparation and fair presentation in accordance with International Financial Reporting Standards of the Interim Historical Financial Information contained therein to which this independent reporting accountant's report relates and for such internal control as the Directors determine is necessary to enable the preparation of Interim Historical Financial Information that is free from material misstatement, whether due to fraud or error.

#### *Responsibility of the Independent Reporting Accountants*

Our responsibility is to express a review conclusion on the Interim Historical Financial Information based on our review for the six months ended 31 March 2015, in accordance with International Standard on Review Engagements ISRE 2410, which applies to a review of historical financial information performed by the independent auditor of the entity.

#### *Interim Historical Financial Information*

We have reviewed the Interim Historical Financial Information attached as Annexure 7 to the Pre-Listing Statement.

#### *Scope of review*

We conducted our review of the Interim Historical Financial Information in accordance with International Standard on Review Engagements ISRE 2410, which applies to a review of historical financial information performed by the independent auditor of the entity. A review of financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Interim Historical Financial Information.

*Conclusion on the Interim Historical Financial Information*

Based on our review, nothing has come to our attention that causes us to believe that the Interim Historical Financial Information included in the Pre-Listing Statement is not prepared, in all material respects, in accordance with the International Standard on Review Engagements ISRE 2410, which applies to a review of historical financial information performed by the independent auditor of the entity, and in the manner required by the Listings Requirements.

Yours faithfully

KPMG Inc.

Per GM Pickering

Chartered Accountant (SA)

Registered Auditor

Director

1 Mediterranean Street

Foreshore

Cape Town, 8001

South Africa”

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## REPORTING ACCOUNTANT'S REPORT ON THE REPORT OF 2014 INTERIM HISTORICAL FINANCIAL INFORMATION OF THE GROUP

---

"The Directors  
Sygnia Limited  
PO Box 51591  
Waterfront  
8002

22 September 2015

Dear Sirs

### **Independent Reporting Accountant's Report on the Report of 2014 Interim Historical Financial Information of Sygnia Limited and its subsidiaries (collectively "the Group") for the six months ended 31 March 2014**

#### *Introduction*

The definitions commencing on page 5 of the Pre-Listing Statement to which this letter is attached apply *mutatis mutandis* to this report.

At your request, and for the purposes of the Pre-Listing Statement, we have reviewed the historical financial information of the Group for the six months ended 31 March 2014, comprising of the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the six month period ended 31 March 2014 and the notes thereto ("2014 Interim Historical Financial Information"), as presented in the Report of Interim Historical Financial Information attached as Annexure 7 to this Pre-Listing Statement, in accordance with the basis of preparation and the accounting policies and in accordance with the Listings Requirements.

KPMG Inc. is the independent reporting accountant to Sygnia Limited.

#### *Responsibility of the Directors*

The Directors are responsible for the compilation, contents and preparation of the Pre-Listing Statement including the 2014 Interim Historical Financial Information in accordance with the Listings Requirements.

The Directors are also responsible for preparing the 2014 Interim Historical Financial Information in accordance with the requirements of the Listings Requirements, as set out in the basis of preparation paragraph included in Annexure 7 to the Pre-Listing Statement, and for such internal control as the Directors determine is necessary to enable the preparation of the 2014 Interim Historical Financial Information that is free from material misstatement whether due to fraud or error.

#### *Responsibility of the Independent Reporting Accountant*

Our responsibility is to express a review conclusion on the 2014 Interim Historical Financial Information based on our review for the six months ended 31 March 2014, in accordance with International Standard on Review Engagements ISRE 2400 (Revised), which applies to a review of historical financial information. ISRE 2400 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the 2014 Interim Historical Financial Information, taken as a whole, is 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 the 2014 Interim Historical Financial Information in accordance with ISRE 2400 (Revised) is a limited assurance engagement in terms of which we perform procedures, primarily consisting of making enquiries of management and other within the entity, as appropriate, and applying analytical procedures and evaluating the evidence obtained.

The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing. Accordingly we do not express an audit opinion on the 2014 Interim Historical Financial Information.

*Conclusion on 2014 Interim Historical Financial Information*

Based on our review, nothing has come to our attention that causes us to believe that the 2014 Interim Historical Financial Information included in the Pre-Listing Statement is not prepared, in all material respects, in accordance with the requirements of the Listings Requirements, as set out in the basis of preparation paragraph and the accounting policies as included in Annexure 7 to the Pre-Listing Statement.

Yours faithfully

KPMG Inc.

Per GM Pickering

Chartered Accountant (SA)

Registered Auditor

Director

1 Mediterranean Street

Foreshore

Cape Town, 8001

South Africa”

## PROFIT ESTIMATE AND PROFIT FORECAST

The table below sets out the Profit Estimate and Profit Forecast for Sygnia for the four months ended 31 July 2015 and two months ending 30 September 2015, respectively, and should be read in conjunction with the Reporting Accountant's reports thereon as set out in Annexures 11 and 12 to this Pre-Listing Statement.

The Profit Estimate and the Profit Forecast have been prepared in accordance with IFRS for the estimate and forecast periods. The Profit Estimate and the Profit Forecast have been prepared using the accounting policies of Sygnia detailed in this Pre-Listing Statement. The Directors of Sygnia are responsible for the preparation of the Profit Estimate and the Profit Forecast set out in the table below.

	<b>Profit Estimate</b>	<b>Profit Forecast</b>
	<b>Four months</b>	<b>Two months</b>
	<b>ended 31 July</b>	<b>ending 30</b>
	<b>2015</b>	<b>September 2015</b>
	<b>R</b>	<b>R</b>
Revenue	86 782 240	42 883 483
Expenses	(59 917 359)	(31 807 091)
<b>Operating profit</b>	<b>26 864 881</b>	<b>11 076 392</b>
Finance income	2 271 779	941 368
Finance costs	–	–
Other income	504 509	(1 144 705)
<b>Operating profit before taxation</b>	<b>29 641 169</b>	<b>10 873 055</b>
Taxation	(8 531 448)	(3 383 781)
<b>Total profit and comprehensive income</b>	<b>21 109 721</b>	<b>7 489 274</b>
Weighted average and actual number of Ordinary Shares in issue	100 000 000	100 000 000
Basic and diluted earnings per Ordinary Share (cents)	21.11	7.49
Headline and diluted headline earnings per Ordinary Share (cents)	21.11	7.49

### Note to the Profit Estimate

The Profit Estimate has been reviewed by KPMG and their unmodified review opinion is set out in Annexure 11 to this Pre-Listing Statement.

### Notes to the Profit Forecast

Assumptions considered to be significant to the preparation of the Profit Forecast are disclosed below, however, the assumptions disclosed are not intended to be an exhaustive list.

The Profit Forecast of the Group is presented on a consolidated basis. The Profit Forecast has been prepared on the assumption that there will be no significant circumstances which will affect the Group's operations which are outside of the control of the Directors apart from market indicators such as foreign exchange, interest and inflation rates and financial market movements.

### Assumptions that are under the control of the Directors

- The Profit Forecast has been prepared in terms of IFRS and utilising the accounting policies of Sygnia;
- Assets under management and administration for existing clients are forecast to be stable for the period from 26 August to 30 September 2015. Actual movements from 1 August to 25 August 2015 are reflected in the projections. This includes investment returns and net flows from existing clients;

- Increases in assets under management and administration for new clients are forecast for the 2 month Profit Forecast period based on indications received from committed clients on the size of their assets and timing of their transfer to Sygnia;
- Fees (revenue) are assumed to increase/decline in line with the growth/reduction in assets under management and administration;
- Expenses are assumed not to increase over the Profit Forecast period, with the exception of annual Socio-Economic Development Contributions of R200,000 and Private Placing and Listing Expenses of R200,000 that are expected in the Profit Forecast period; and
- Return on investments (excluding interest) backing regulatory capital is assumed to be zero over the period from 26 August to 30 September 2015. Actual returns from 1 August to 25 August 2015 are reflected in the projections.

**Assumptions that are not under the control of the Directors**

- Financial market movements – assumed to be stable over the two month period;
- Currency fluctuations – assumed that there will be no major currency fluctuations;
- Interest and inflation rates – assumed no major changes to occur;
- Eligible Investors subscribe for the Subscription Shares at the Private Placing Price in terms of the Private Placing; and
- Taxation has been calculated at 28% of net profit before tax, taking into account adjustments for non-taxable income or non-deductible expenses and capital gain inclusion rates.

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## REPORTING ACCOUNTANT'S REPORT ON THE PROFIT ESTIMATE

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"The Directors  
Sygnia Limited  
PO Box 51591  
Waterfront  
8002

22 September 2015

Dear Sirs

### **Independent Reporting Accountant's Report on the Profit Estimate of Sygnia Limited and its subsidiaries (collectively "the Group") for the four months ended 31 July 2015**

#### *Introduction*

The definitions commencing on page 5 of the Pre-Listing Statement to which this letter is attached apply *mutatis mutandis* to this report.

At your request, and for the purposes of the Pre-Listing Statement, we have reviewed the profit estimate of the Group for the four months ended 31 July 2015 ("Profit Estimate"), amounting to an attributable net profit of R21,109,721, as presented in Annexure 10 to the Pre-Listing Statement dated on or about 1 October 2015, in compliance with the Listings Requirements.

KPMG Inc. is the independent reporting accountant to Sygnia Limited.

#### *Responsibility of the Directors*

The Directors are responsible for the compilation, contents and preparation of the Pre-Listing Statement including the Profit Estimate in accordance with the Listings Requirements.

The Directors are also responsible for preparing the Profit Estimate in accordance with the Listings Requirements, as set out in the basis of preparation paragraph included in Annexure 10 to the Pre-Listing Statement and for such internal control as the Directors determine is necessary to enable the preparation of a Profit Estimate that is free from material misstatement, whether due to fraud or error.

#### *Responsibility of the Independent Reporting Accountant*

Our responsibility is to express a review conclusion on the Profit Estimate.

#### *Profit Estimate*

We have reviewed the Profit Estimate attached as Annexure 10 to the Pre-Listing Statement.

#### *Scope of review*

We conducted our review of the Profit Estimate in accordance with the International Standard on Review Engagements ISRE 2410, which applies to a review of historical financial information performed by the independent auditor of the entity. A review of financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Profit Estimate.

*Conclusion on the Profit Estimate*

Based on our review, nothing has come to our attention that causes us to believe that the Profit Estimate included in the Pre-Listing Statement is not prepared, in all material respects, in accordance with the Listings Requirements, as set out in the basis of preparation paragraph included in Annexure 10 to the Pre-Listing Statement.

Yours faithfully

KPMG Inc.

Per GM Pickering

Chartered Accountant (SA)

Registered Auditor

Director

1 Mediterranean Street

Foreshore

Cape Town, 8001

South Africa”

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## REPORTING ACCOUNTANT'S REPORT ON THE PROFIT FORECAST

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"The Directors  
Sygnia Limited  
PO Box 51591  
Waterfront  
8002

22 September 2015

Dear Sirs

### **Independent Reporting Accountant's report on the Profit Forecast of Sygnia Limited and its subsidiaries (collectively "the Group")**

The definitions commencing on page 5 of the Pre-Listing Statement to which this letter is attached apply *mutatis mutandis* to this report.

We have examined the consolidated profit forecast of the Group for the period 1 August 2015 to 30 September 2015 set out in the Pre-Listing Statement to the Group's Shareholders dated on or about 1 October 2015 ("Profit Forecast").

#### *Directors' responsibility*

The Directors of the Group are responsible for the Profit Forecast, including the assumptions set out in Annexure 10 to the Pre-Listing Statement, on which it is based and for the financial information from which it has been prepared. This responsibility, arising from compliance with the Listings Requirements, includes determining whether the assumptions, provide a reasonable basis for the preparation of the Profit Forecast, and whether the Profit Forecast has been properly compiled on the basis of the assumptions and presented in accordance with the accounting policies of the Group.

#### *Reporting Accountant's responsibility*

Our responsibility is to express a conclusion on the Profit Forecast, prepared for the purpose of complying with the Listings Requirements and for inclusion in the Pre-Listing Statement, in accordance with the International Standard on Assurance Engagements 3400: *Examination of Prospective Financial Information*, which applies to engagements to examine and report on prospective financial information including examination procedures for best-estimate and hypothetical assumptions. This standard requires us to obtain sufficient appropriate evidence as to whether:

- Management's best-estimate assumptions on which the Profit Forecast is based are not unreasonable and are consistent with the purpose of the information;
- The Profit Forecast is properly prepared on the basis of the assumptions;
- The Profit Forecast is properly presented and all material assumptions are adequately disclosed; and
- The Profit Forecast is prepared and presented on a basis consistent with the accounting policies of the Group for the period concerned.

*Conclusion on the Profit Forecast*

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that the assumptions, do not provide a reasonable basis for the preparation of the Profit Forecast. Further, in our opinion the Profit Forecast has been properly compiled on the basis of the assumptions and is presented in accordance with the accounting policies of the Group.

Actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation may be material, accordingly no assurance is expressed regarding the achievability of the Profit Forecast.

Yours faithfully

KPMG Inc.

Per GM Pickering

Chartered Accountant (SA)

Registered Auditor

Director

1 Mediterranean Street

Foreshore

Cape Town, 8001

South Africa”

## PRO FORMA FINANCIAL INFORMATION

The *Pro Forma* Financial Information set out below is included for the purpose of illustrating the effect of the Ulundi Settlement and the Private Placing on Sygnia. The Directors of Sygnia are responsible for the *Pro Forma* Financial Information. It is presented for illustrative purposes only and, because of its nature, may not fairly present Sygnia's financial position, changes in equity and results of operations or cash flows after implementation. The Ulundi Settlement and the Private Placing are assumed to have taken place on 1 October 2014 for *pro forma* Statement of Comprehensive Income purposes and 31 March 2015 for *pro forma* Statement of Financial Position purposes. The Reporting Accountant's report relating to the *Pro Forma* Financial Information is set out in Annexure 14 to this Pre-Listing Statement.

The *Pro Forma* Financial Information has been prepared using the accounting policies of Sygnia which comply with IFRS and are consistent with those applied in the report of Historical Financial Information of Sygnia Investment Holdings No 2.

Statement of Comprehensive Income (Rands)	Actual <sup>1</sup>	The Ulundi Settlement <sup>2</sup>	<i>Pro forma</i> after the Ulundi Settlement	The Private Placing <sup>3</sup>	<i>Pro forma</i> after the Ulundi Settlement and the Private Placing
Revenue	109 788 436	–	109 788 436	–	109 788 436
Operating expenses	(77 146 672)	–	(77 146 672)	(1 712 000)	(78 858 672)
Investment contract income	2 257 223 261	–	2 257 223 261	–	2 257 223 261
Transfer to investment contract liabilities	(2 257 223 261)	–	(2 257 223 261)	–	(2 257 223 261)
Interest income	2 601 758	–	2 601 758	–	2 601 758
Other investment income	5 610 964	–	5 610 964	–	5 610 964
Profit from operations	40 854 486	–	40 854 486	(1 712 000)	39 142 486
Finance costs	(196 071)	–	(196 071)	–	(196 071)
Profit before tax	40 658 415	–	40 658 415	(1 712 000)	38 946 415
Income tax expense	(11 404 302)	–	(11 404 302)	–	(11 404 302)
Profit for the period	29 254 113	–	29 254 113	(1 712 000)	27 542 113
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the period	29 254 113	–	29 254 113	(1 712 000)	27 542 113
<i>Profit attributable to:</i>					
Owners of the Company	29 254 113	–	29 254 113	(1 712 000)	27 542 113
Non-controlling interest	–	–	–	–	–
Weighted and actual number of Ordinary Shares in issue	100 000 000	8 933 166	108 933 166	28 244 834	137 178 000
<i>Earnings per Ordinary Share</i>					
Basic and diluted earnings per Ordinary Share (cents)	29.25		26.86		20.08
Headline and diluted headline earnings per Ordinary Share (cents)	30.28		27.80		20.82

### Notes:

1. Extracted from the reviewed report of Interim Historical Financial Information for the six months ended 31 March 2015, included as Annexure 7 to this Pre-Listing Statement.
2. Assumes the conclusion of the Ulundi Settlement, being a share-for-share exchange which will take place on 1 October 2015, in terms of which (i) Sygnia Asset Management will repurchase a portion of its shares held by Ulundi Holdings for a purchase consideration of R14,293,065 less related debt and (ii) Ulundi Holdings will exchange its remaining 17.35% shareholding in Sygnia Asset Management ("Original Transaction") for 8,933,166 Ordinary Shares in Sygnia.

The Ulundi Settlement has resulted in a modification of the share-based payment transaction previously recognised by the Group. In terms of the proposed Ulundi Settlement agreement, Ulundi Holdings' shareholding in Sygnia Asset Management will be partly settled in cash and partly by the issue of Sygnia Ordinary Shares as detailed above. The Original Transaction was treated as an option for accounting purposes and,

therefore, no outside shareholders interest arose from a Group perspective in respect of the Original Transaction and the Original Transaction was recognised as an equity-settled share-based payment.

The modification arising from the settlement in cash has the effect of changing a part of the share-based payment transaction previously recognised by the Group from equity-settled to cash-settled. The Group has elected to recognise the liability that is recognised on the date of modification as a reclassification from equity. Consequently, no expense is recognised in profit or loss on the date of the modification. The part that is settled by the issue of Sygnia Ordinary Shares has no effect on the financial information of the Group, other than a minor dilutionary effect on earnings per Ordinary Share and net asset value (including tangible net asset value) per Ordinary Share.

Impact on the *pro forma* financial information

Share buy-back by Sygnia Asset Management to the value of	R14,293,065
Repayment of loan from Sygnia Asset Management	(R10,281,868)#
Repayment of accrued preference share dividends	(R3,190,692)#
Cash paid to Ulundi Holdings	R820,505

#Please note that these assets are not shown in Sygnia's financial statements as the Ulundi Settlement is accounted as an equity-settled share-based payment with the requirements of IFRS 2 – Share Based Payment.

No impact on interest and taxation is disclosed as it is assumed that the payment will be funded from the capital raised by the Private Placing.

3. Estimated Listing expenses of R1,712,000 have been expensed.
4. None of the abovementioned adjustments are expected to have a continuing effect on Sygnia.

Statement of Financial Position (Rands)	Actual <sup>1</sup>	The Ulundi Settlement <sup>2</sup>	<i>Pro forma</i> after the Ulundi Settlement	The Private Placing <sup>3</sup>	<i>Pro forma</i> after the Ulundi Settlement and the Private Placing
<b>ASSETS</b>					
<b>Non-current assets</b>	<b>25 115 033 463</b>	–	<b>25 115 033 463</b>	–	<b>25 115 033 463</b>
Deferred tax asset	2 834 095	–	2 834 095	–	2 834 095
Furniture and equipment	18 896 567	–	18 896 567	–	18 896 567
Goodwill	379 155	–	379 155	–	379 155
Intangible asset	886 148	–	886 148	–	886 148
Investments	63 642 270	–	63 642 270	–	63 642 270
Investments linked to investment contract liabilities	25 028 395 228	–	25 028 395 228	–	25 028 395 228
<b>Current assets</b>	<b>282 231 641</b>	<b>(820 505)</b>	<b>281 411 136</b>	<b>232 506 606</b>	<b>513 917 742</b>
Trade and other receivables	204 144 046	–	204 144 046	–	204 144 046
Cash and cash equivalents	66 274 569	(820 505)	65 454 064	232 506 606	297 960 670
Loans receivable	10 807 930	–	10 807 930	–	10 807 930
Taxation receivable	1 005 096	–	1 005 096	–	1 005 096
<b>TOTAL ASSETS</b>	<b>25 397 265 104</b>	<b>(820 505)</b>	<b>25 396 444 599</b>	<b>232 506 606</b>	<b>25 628 951 205</b>
<b>EQUITY</b>					
Stated capital	272 858 029	–*	272 858 029	234 218 606	507 076 635
Retained income	91 039 245	(820 505)	90 218 740	(1 712 000)	88 506 740
Reserves	(219 299 987)	–	(219 299 987)	–	(219 299 987)
<b>TOTAL EQUITY</b>	<b>144 597 287</b>	<b>(820 505)</b>	<b>143 776 782</b>	<b>232 506 606</b>	<b>376 283 388</b>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>	<b>25 133 047 625</b>	–	<b>25 133 047 625</b>	–	<b>25 133 047 625</b>
Deferred tax liabilities	12 323 335	–	12 323 335	–	12 323 335
Investment contract liabilities	25 120 724 290	–	25 120 724 290	–	25 120 724 290
<b>Current liabilities</b>	<b>119 620 192</b>	–	<b>119 620 192</b>	–	<b>119 620 192</b>
Trade and other payables	114 218 401	–	114 218 401	–	114 218 401
Loans payable	2 055 231	–	2 055 231	–	2 055 231
Taxation payable	3 346 560	–	3 346 560	–	3 346 560
<b>TOTAL LIABILITIES</b>	<b>25 252 667 817</b>	–	<b>25 252 667 817</b>	–	<b>25 252 667 817</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>25 397 265 104</b>	<b>(820 505)</b>	<b>25 396 444 599</b>	<b>232 506 606</b>	<b>25 628 951 205</b>
Actual number of Ordinary Shares in issue	100 000 000	8 933 166	108 933 166	28 244 834	137 178 000
Net asset value per Ordinary Share (Rands)	1.45		1.32		2.74
Tangible net asset value per Ordinary Share (Rands)	1.40		1.28		2.71

\* Ordinary Shares issued in terms of the Ulundi Settlement are issued at a nominal value.

**Notes:**

1. Extracted from the reviewed report of Interim Historical Financial Information for the six months ended 31 March 2015, included as Annexure 7 to this Pre-Listing Statement.
2. Assumes the conclusion of the Ulundi Settlement, being a share-for-share exchange which will take place on 1 October 2015, in terms of which (i) Sygnia Asset Management will repurchase a portion of its shares held by Ulundi Holdings for a purchase consideration of R14,293,065 less related debt and (ii) Ulundi Holdings will exchange its remaining 17.35% shareholding in Sygnia Asset Management ("Original Transaction") for 8,933,166 Ordinary Shares in Sygnia.

The Ulundi Settlement has resulted in a modification of the share-based payment transaction previously recognised by the Group. In terms of the proposed Ulundi Settlement agreement, Ulundi Holdings' shareholding in Sygnia Asset Management will be partly settled in cash and partly by the issue of Sygnia Ordinary Shares as detailed above. The Original Transaction was treated as an option for accounting purposes and, therefore, no outside shareholders interest arose from a Group perspective in respect of the Original Transaction and the Original Transaction was recognised as an equity-settled share-based payment.

The modification arising from the settlement in cash has the effect of changing a part of the share-based payment transaction previously recognised by the Group from equity-settled to cash-settled. The Group has elected to recognise the liability that is recognised on the date of modification as a reclassification from equity. Consequently, no expense is recognised in profit or loss on the date of the modification. The part that is settled by the issue of Sygnia Ordinary Shares has no effect on the financial information of the Group, other than a minor dilutionary effect on earnings per share and net asset value (including tangible net asset value) per share.

Impact on the *pro forma* financial information

Share buy-back by Sygnia Asset Management to the value of	R14,293,065
Repayment of loan from Sygnia Asset Management	(R10,281,868)#
Repayment of accrued preference share dividends	(R3,190,692)*
Cash paid to Ulundi Holdings	R820,505

#Please note that these assets are not shown in Sygnia's financial statements as the Ulundi Settlement is accounted as an equity-settled share-based payment with the requirements of IFRS 2 – Share-Based Payment.

3. Share capital has been adjusted for the issue of 28,244,834 Subscription Shares at R8.40 per Subscription Share in terms of the Offer for Subscription, less capital raising costs of R3,038,000, amounting to an increase in Share Capital of R234,218,606. The increase in cash and cash equivalents is after taking into account the proceeds received from the Offer for Subscription of R234,218,606 and the Listing expenses of R1,712,000.

**Reconciliation of Share Capital**

Balance at 31 March 2015	R272 858 029
Private Placing – Offer for Subscription net of expenditure	R234 218 606
Balance after the Private Placing	R507 076 635

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**REPORTING ACCOUNTANT'S REPORT ON THE *PRO FORMA* FINANCIAL INFORMATION**

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"The Directors  
Sygnia Limited  
PO Box 51591  
Waterfront  
8002

Dear Sirs

22 September 2015

**Report on the Compilation of *Pro Forma* Financial Information of Sygnia Limited ("the Group")**

The definitions commencing on page 5 of the Pre-Listing Statement to which this letter is attached apply *mutatis mutandis* to this report.

We have completed our assurance engagement to report on the compilation of the *pro forma* earnings and diluted earnings, headline and diluted headline earnings, net asset value and net tangible asset value per share of the Group, the *pro forma* statement of financial position of the Group, the *pro forma* statement of comprehensive income of the Group and the related notes, including a reconciliation showing all of the *pro forma* adjustments to the share capital, reserves and other equity items relating to the Group, (collectively "Group *Pro Forma* Financial Information"). The Group *Pro Forma* Financial Information is set out in Annexure 13 to the Pre-Listing Statement.

The Group *Pro Forma* Financial Information has been compiled by the Directors to illustrate the impact of the Offer for Subscription and the Ulundi Settlement, as described in paragraph 13 of the Pre-Listing Statement and Annexure 15 to the Pre-Listing Statement, on the Group's financial position and changes in equity as at 31 March 2015 and the Group's financial performance for the period ended 31 March 2015.

As part of this process, the Group's earnings, diluted earnings, headline earnings and diluted headline earnings per share, statement of comprehensive income and statement of financial position have been extracted by the Directors from the Group's reviewed condensed consolidated interim financial statements for the period ended 31 March 2015 ("Reviewed Financial Information"), in respect of which an unmodified review opinion has been issued. In addition, the Directors have calculated the net asset value and net tangible asset value per share as at 31 March 2015 based on financial information extracted from the Reviewed Financial Information.

*Directors' Responsibility for the Group Pro Forma Financial Information*

The Directors are responsible for compiling the Group *Pro Forma* Financial Information on the basis of the applicable criteria as detailed in paragraphs 8.15 to 8.33 of the Listings Requirements and the SAICA Guide on *Pro Forma* Financial Information, revised and issued in September 2012 ("Applicable Criteria").

*Reporting Accountant's Responsibility*

Our responsibility is to express an opinion about whether the Group *Pro Forma* Financial Information has been compiled, in all material respects, by the Directors on the basis of the Applicable Criteria, based on our procedures performed.

We conducted our engagement in accordance with ISAE 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the *Pro Forma* Financial Information on the basis of the Applicable Criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any Reviewed Financial Information used in compiling the Group *Pro Forma* Financial Information, nor have we, in the course of this engagement, performed an audit or review of the Reviewed Financial Information used in compiling the Group *Pro Forma* Financial Information.

The purpose of the Group *Pro Forma* Financial Information included in the Pre-Listing Statement is solely to illustrate the impact of the Offer for Subscription and the Ulundi Settlement on the unadjusted Reviewed Financial Information as if the Offer for Subscription and the Ulundi Settlement had been undertaken on 1 October 2014 for purposes of the *pro forma* earnings, diluted earnings, headline and diluted headline earnings per share and the *pro forma* statement of comprehensive income and on 31 March 2015 for purposes of the net asset value and net tangible asset value per share and statement of financial position. Accordingly, we do not provide any assurance that the actual outcome of the Offer for Subscription and the Ulundi Settlement, subsequent to their implementation, will be as presented in the Group *Pro Forma* Financial Information.

A reasonable assurance engagement to report on whether the Group *Pro Forma* Financial Information has been properly compiled, in all material respects, on the basis of the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Directors in the compilation of the Group *Pro Forma* Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Offer for Subscription and the Ulundi Settlement and to obtain sufficient appropriate evidence about whether:

- The related *pro forma* adjustments give appropriate effect to the Applicable Criteria; and
- The Group *Pro Forma* Financial Information reflects the proper application of those *pro forma* adjustments to the unadjusted Reviewed Financial Information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, the Offer for Subscription and the Ulundi Settlement in respect of which the Group *Pro Forma* Financial Information has been compiled and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Group *Pro Forma* Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Opinion*

In our opinion, the Group *Pro Forma* Financial Information has been compiled, in all material respects, on the basis of the Applicable Criteria.

Yours faithfully

KPMG Inc.

Per GM Pickering

Chartered Accountants (SA)

Registered Auditor

Director

1 Mediterranean Street

Foreshore

Cape Town, 8001

South Africa"

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## DETAILS OF MATERIAL CONTRACTS, MATERIAL ACQUISITIONS AND VENDORS

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### Material contracts

Information regarding material contracts entered into within the two years prior to the date of the Pre-Listing Statement is as follows:

#### *Sygnia Life Acquisition*

On 14 January 2015, Sygnia entered into an agreement with Sygnia Investment Holdings to acquire the entire issued share capital of Sygnia Life for a purchase consideration of R270 million. The purchase consideration was settled by the issue of 40 million Ordinary Shares in Sygnia to Sygnia Investment Holdings. The Sygnia Life Acquisition became effective 1 October 2014.

#### *Ulundi Settlement*

On 21 September 2015, Sygnia, Sygnia Asset Management and Ulundi Holdings entered into an agreement in terms of which (i) Sygnia Asset Management will repurchase a portion of its shares held by Ulundi Holdings for a purchase consideration of R14,293,065 less related debt and (ii) Ulundi Holdings will exchange its remaining 17.35% shareholding in Sygnia Asset Management for 8,933,166 Ordinary Shares in Sygnia (being an 8.2% shareholding in Sygnia pre- the Private Placing).

Other than the material contracts above, no other material contracts have been entered into at any time containing an obligation or settlement that is material to Sygnia or its subsidiaries as at the date of this Pre-Listing Statement.

### Material acquisitions and vendors

Set out in the table below is information regarding the material acquisitions by Sygnia and its subsidiaries, being the Sygnia Life Acquisition and the Ulundi Settlement, and related vendor information, made within the three years prior to the date of the Pre-Listing Statement or proposed to be made:

Acquisition name	Sygnia Life
Nature of title or interest acquired	Shares in Sygnia Life
Effective date of acquisition	1 October 2014
Name of the vendor	Sygnia Investment Holdings
Address of the vendor	7th Floor, The Foundry, Cardiff Street, Green Point, 8001
Details of valuation of acquisition	R270 million
Aggregate purchase consideration	R270 million
Amount paid to vendor in cash	–
Amount paid to vendor in securities	R270 million
Amount paid to vendor by assumption of debt	–
Amount paid to vendor in respect of goodwill	For accounting purposes, the Sygnia Life Acquisition is being treated as a "Common Control" transaction, which results in no goodwill being recognised
Loan incurred to fund acquisition	–
Cost of asset to the vendor	R9 545 548
Acquisition date by vendor	1 September 2007
Name and address of the vendor shareholder(s)	Magda Wierzycka: 7th Floor, The Foundry, Cardiff Street, Green Point, 8001 Simon Peile: 7th Floor, The Foundry, Cardiff Street, Green Point, 8001

Book debts guaranteed by the vendor	–
Details of any restraint of trade	–
Details of settlement of accrued taxation, if any	–
Reconciliation of amounts paid for securities and the proportionate value of the net assets of that company attributable to such securities acquired	NAV R75 430 863 Goodwill R194 569 137 (see explanation above in terms of accounting treatment)
Directors or promoters interest in the transaction	Magda Wierzycka is a 50% shareholder in Sygnia Investment Holdings
Promoters fee paid	–
Status of transfer	Completed

<b>Acquisition name</b>	<b>Ulundi Settlement</b>
Nature of title or interest acquired	Shares in Sygnia Asset Management
Effective date of acquisition	1 October 2015
Name of the vendor	Ulundi Holdings
Address of the vendor	7th Floor, The Foundry, Cardiff Street, Green Point, 8001
Details of valuation of acquisition	R89 331 657
Aggregate purchase consideration	R89 331 657
Amount paid to vendor in cash	R14 293 065
Amount paid to vendor in securities	R75 038 592
Amount paid to vendor by assumption of debt	–
Amount paid to vendor in respect of goodwill	N/A
Loan incurred to fund acquisition	–
Cost of asset to the vendor	R84 780 994
Acquisition date by vendor	31 July 2013
Name and address of the vendor shareholder(s)	Izibuko Holdings (49%) 7th Floor, The Foundry, Cardiff Street, Green Point, 8001 Ulundi Staff Trust (51%) 7th Floor, The Foundry, Cardiff Street, Green Point, 8001
Book debts guaranteed by the vendor	–
Details of any restraint of trade	–
Details of settlement of accrued taxation, if any	–
Reconciliation of amounts paid for securities and the proportionate value of the net assets of that company attributable to such securities acquired	–
Directors' or promoters' interest in the transaction	Magda Wierzycka has an 81% indirect interest in Izibuko Holdings, through the Zatoka Trust, which is a 49% shareholder of Ulundi Holdings Niki Giles has a 2% direct interest in Izibuko Holdings, which is a 49% shareholder of Ulundi Holdings
Promoters fee paid	–
Status of transfer	To be effected on or about 1 October 2015

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**DETAILS OF LOANS TO DIRECTORS**


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Set out below are details of loans made to Directors.

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**Sygnia Life to Beret Properties**


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Loan amount	R4 106 223 at 31 March 2015
Why and how it arose	Sygnia Life investment strategy
Date loan was made	Various amounts advanced since 2013
Borrower	Beret Properties
Interest and repayment terms of loan	Bears interest at prime less 0.5% per annum, and has no fixed terms of repayment
If in arrears, the last date on which payment was made and the extent of the arrears	Not applicable
Period of the loan	No fixed terms of repayment
Nature of any security held for loan	Unsecured
Current fair value of security and the method of valuation	Not applicable
If a loan is unsecured, the reasons therefore	The borrower is wholly owned by the Zatoka Trust (which, pre- the Private Placing and the Ulundi Settlement had a 48.6% interest in Sygnia). Magda Wierzycka and Simon Peile serve as directors of Beret Properties
If loan made to another company, the names and addresses of the directors of such company	Magda Wierzycka: 7th Floor, The Foundry, Cardiff Street, Green Point, 8001 Simon Peile: 7th Floor, The Foundry, Cardiff Street, Green Point, 8001

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**Sygnia Life to Widok Properties**


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Loan amount	R2 542 231 at 31 March 2015
Why and how it arose	Sygnia Life investment strategy
Date loan was made	Various amounts advanced since 2011
Borrower	Widok Properties
Interest and repayment terms of loan	Bears interest at prime less 0.5% and is repayable in monthly instalments over 20 years with a final payment in May 2030
If in arrears, the last date on which payment was made and the extent of the arrears	Not applicable
Period of the loan	The outstanding amount is repayable in monthly instalments over 20 years with final payment in May 2030
Nature of any security held for loan	Unsecured
Current fair value of security and the method of valuation	Not applicable
If a loan is unsecured, the reasons therefore	The borrower is 98% owned by the Zatoka Trust (which, pre- the Private Placing and the Ulundi Settlement had a 48.6% interest in Sygnia) and 2% owned by Niki Giles. Magda Wierzycka, Simon Peile and Niki Giles serve as directors of Widok Properties
If loan made to another company, the names and addresses of the directors of such company	Magda Wierzycka: 7th Floor, The Foundry, Cardiff Street, Green Point, 8001 Simon Peile: 7th Floor, The Foundry, Cardiff Street, Green Point, 8001 Niki Giles: 7th Floor, The Foundry, Cardiff Street, Green Point, 8001

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**Sygnia Asset Management to Beret Properties**

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Loan amount	R4 125 280 at 31 March 2015
Why and how it arose	The loan is to help finance the purchase of the 5th Floor of the Foundry building in Cape Town
Date loan was made	October 2014
Borrower	Beret Properties
Interest and repayment terms of loan	Bears interest at prime and has no fixed repayment terms
If in arrears, the last date on which payment was made and the extent of the arrears	Not applicable
Period of the loan	No fixed terms of repayment
Nature of any security held for loan	Unsecured
Current fair value of security and the method of valuation	Not applicable
If a loan is unsecured, the reasons therefore	The borrower is wholly owned by the Zatoka Trust (which, pre- the Private Placing and the Ulundi Settlement had a 48.6% interest in Sygnia). Magda Wierzycka and Simon Peile serve as directors of Beret Properties
If loan made to another company, the names and addresses of the directors of such company	Magda Wierzycka: 7th Floor, The Foundry, Cardiff Street, Green Point, 8001 Simon Peile: 7th Floor, The Foundry, Cardiff Street, Green Point, 8001

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**Sygnia Asset Management to Ulundi Holdings**

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Loan amount	R10 295 130 at 31 March 2015 (the loan will be settled on 1 October 2015 as part of the Ulundi Settlement)
Why and how it arose	To fund the Ulundi Transaction
Date loan was made	31 July 2013
Borrower	Ulundi Holdings
Interest and repayment terms of loan	Bears interest at prime and has no fixed repayment terms
If in arrears, the last date on which payment was made and the extent of the arrears	Not applicable
Period of the loan	No fixed repayment terms
Nature of any security held for loan	Unsecured
Current fair value of security and the method of valuation	Not applicable
If a loan is unsecured, the reasons therefore	To fund the Ulundi Transaction
If loan made to another company, the names and addresses of the directors of such company	Magda Wierzycka: 7th Floor, The Foundry, Cardiff Street, Green Point, 8001 Marlene Budge: 7th Floor, The Foundry, Cardiff Street, Green Point, 8001 Cher Leetjer: 7th Floor, The Foundry, Cardiff Street, Green Point, 8001

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**Sygnia to Ulundi Holdings**

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Preference share amount	R73 000 000 at 31 March 2015
Why and how it arose	To fund the Ulundi Transaction
Date preference share was issued	31 July 2013
Holder	Sygnia Limited
Dividend and redemption terms of preference share	A cumulative annual dividend, payable monthly, equal to the prime overdraft rate less the South African corporate tax rate Redeemable in cash no later than 10 years after the issue date
If in arrears, the last date on which payment was made and the extent of the arrears	Not applicable
Term of the preference share	Maximum term of 10 years
Nature of any security held for preference share	Not applicable
Current fair value of security and the method of valuation	Not applicable
If a loan is unsecured, the reasons therefore	Not applicable
If preference share issued to another company, the names and addresses of the directors of such company	Magda Wierzycka: 7th Floor, The Foundry, Cardiff Street, Green Point, 8001 Marlene Budge: 7th Floor, The Foundry, Cardiff Street, Green Point, 8001 Cher Leetjer: 7th Floor, The Foundry, Cardiff Street, Green Point, 8001

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## DIRECTORSHIPS HELD BY THE DIRECTORS, DIRECTORS OF MAJOR SUBSIDIARIES AND SENIOR MANAGEMENT

The names of all companies and partnerships of which the Directors, directors of Major Subsidiaries and Senior Management are or have been directors or partners during the past five years are set out below.

Name of Director, director of Major Subsidiary and Senior Management	Directorships or partnerships	Status
<b>Executive Directors</b>		
Magdalena Franciszka Wierzycka	Sygnia	Active
	Sygnia Alchemy	Active
	Sygnia Asset Management	Active
	Sygnia Collective Investments RF	Active
	Sygnia Financial Services	Active
	Sygnia Investment Holdings	Active
	Sygnia Life	Active
	Sygnia Nominees RF	Active
	Sygnia Private Wealth	Active
	Sygnia Support Services	Active
	Sygnia Systems	Active
	Beret Properties	Active
	Widok Properties	Active
	Izibuko Holdings	Active
	Ulundi Corporate	Active
	Ulundi Holdings	Active
	Sygnia Securities	Resigned
	Sygnia Alpha Investments Proprietary Limited	Deregistered
	Sygnia Beta Investments Proprietary Limited	Deregistered
	Sygnia Delta Investment Proprietary Limited	Deregistered
Sygnia Gamma Investments Proprietary Limited	Deregistered	
Niki Giles	Sygnia	Active
	Sygnia Asset Management	Active
	Sygnia Collective Investments RF	Active
	Sygnia Financial Services	Active
	Sygnia Private Wealth	Active
	Sygnia Support Services	Active
	Izibuko Holdings	Active
	Widok Properties	Active

<b>Name of Director, director of Major Subsidiary and Senior Management</b>	<b>Directorships or partnerships</b>	<b>Status</b>
<b>Non-executive Directors</b>		
Haroon Borhat ( <i>Non-executive Chairman</i> )	Sygnia	Active
	Sygnia Collective Investments RF	Active
	Sygnia Life	Active
Kenneth Hopkins	Sygnia	Active
	Sygnia Collective Investments RF	Active
	Sygnia Life	Active
	Sygnia Nominees RF	Active
	Sygnia Securities Nominees RF	Active
	Infiniti Insurance Limited	Active
	Pulse Urban Properties RF Proprietary Limited	Active
	RBA Holdings Limited	Active
	Real People Investment Holdings Proprietary Limited	Active
	Spark Support Services Proprietary Limited	Active
	KPMG Services Proprietary Limited	Resigned
KPMG Inc.	Resigned	
Isiah Kaizer Moyane	Sygnia	Active
	Kaya Pig & Poultry Farm Proprietary Limited	Active
	Kaytee Properties Proprietary Limited	Active
	Typical Products Supplies Proprietary Limited	Active
Shirley Zinn	Sygnia	Active
	ADvTECH Limited	Active
	The Boston Consulting Group RSA Proprietary Limited	Active
	Business Engage Association	Active
	DHL Global Forwarding Proprietary Limited	Active
	Tuesday Consulting Proprietary Limited	Active
<b>Directors of major subsidiaries</b>		
Cher Leetjer	Sygnia Asset Management	Active
	Ulundi Holdings	Active
Marlene Budge	Sygnia Asset Management	Active
	Ulundi Holdings	Active
Simon Peile	Sygnia Asset Management	Active
	Sygnia Financial Services	Active
	Sygnia Investment Holdings	Active
	Sygnia Life	Active
	Sygnia Private Wealth	Active
	Sygnia Systems	Active
	Ulundi Corporate	Active
	Zamek Management	Active
	Beret Properties	Active
	Izibuko Holdings	Active
	Widok Properties	Active
	Sygnia Investment Holdings No 2	Resigned
	Sygnia Securities	Resigned
Ulundi Holdings	Resigned	
Sygnia Alpha Investments Proprietary Limited	Deregistered	

<b>Name of Director, director of Major Subsidiary and Senior Management</b>	<b>Directorships or partnerships</b>	<b>Status</b>
Sifiso Mkhwanazi	Sygnia Beta Investments Proprietary Limited	Deregistered
	Sygnia Delta Investments Proprietary Limited	Deregistered
	Sygnia Gamma Investments Proprietary Limited	Deregistered
	Sygnia Asset Management	Active
	Sygnia Collective Investments	Active
	Sygnia Life	Active
	Sygnia Nominees RF	Active
	Sygnia Securities	Active
	Sygnia Securities Nominees RF	Active
	Circle Way Trading 228	Active
	Coreinfra Technologies	Active
	Flawscan Inspections	Active
	Inkombandlela Accountants	Active
	Inqabayethu Investment Holdings	Active
	Lisalor	Active
	Mawela Properties	Active
	Mawenzi Management Services	Active
	Simane Management Services	Active
	Simane Security Investments	Active
	Zulu Pot Trading (Maphumulo)	Active
	African Harvest Group	Resigned
	Bonne Vie Projects	Resigned
	Catwalk Entertainment	Resigned
	Lwami Investment	Resigned
	Mawenzi Resources And Finance Company	Resigned
	Metallon Group	Resigned
	Camiscape	Deregistered
	Isundu Leisure	Deregistered
	Lga Investment Holdings	Deregistered
	Mabandla Investments Holdings	Deregistered
Sygnia Life	Active	
Nadia Muller		
<b>Senior Management</b>		
David Johnson	PSG Collective Investments Limited	Active
	PSG Invest Proprietary Limited	Active
	PSG Invest Nominees Proprietary Limited	Active
	PSG Life Limited	Active
	PSG Wealth Nominees Proprietary Limited	Active
	Sygnia Life	Resigned
	Sygnia Securities	Resigned
	Sygnia Nominees RF	Resigned

<b>Name of Director, director of Major Subsidiary and Senior Management</b>	<b>Directorships or partnerships</b>	<b>Status</b>
<b>Senior Management</b>		
Willem van der Merwe	Sygnia Securities	Active
	Sygnia Securities Nominees RF	Active
	Rikodo Investments Proprietary Limited	Active
	Izibuko Holdings	Resigned
	Sygnia Asset Management	Resigned
	Sygnia Collective Investments RF	Resigned
	Sygnia Support Services	Resigned
	Sygnia Systems	Resigned
	Ulundi Holdings	Resigned
	Sygnia Alpha Investments Proprietary Limited	Deregistered
	Sygnia Beta Investments Proprietary Limited	Deregistered
	Sygnia Delta Investments Proprietary Limited	Deregistered
	Sygnia Gamma Investments Proprietary Limited	Deregistered
	Gavin Stansfield	Cliffe Dekker Hofmeyr Inc.
Charlene Swartz	Sygnia Securities	Active

## DETAILS OF SUBSIDIARY COMPANIES AND INTER-COMPANY LOANS

Details of Sygnia's subsidiary companies as at the Last Practicable Date are set out below.

Name and registration number	Date and place of incorporation and length of time during which business has been carried out	Date of becoming subsidiary	Main business	Issued ordinary share capital and Sygnia's effective shareholding
Sygnia Alchemy 2012/179679/07	2012 South Africa	3 October 2012	Houses intellectual property associated with Sygnia's retail system	100 100%
Sygnia Asset Management 2003/009329/07	2003 South Africa	18 September 2007	Asset manager company providing various products and services to institutional and retail clients	125 80%*
Sygnia Collective Investments RF 2009/003063/07	2009 South Africa	19 April 2011	Management company offering a range of Multi-Manager and index-tracking unit trusts to the retail market	100 100%
Sygnia Financial Services 2010/015491/07	2010 South Africa	3 August 2010	Offers retail investment administration services (through the use of a LISP) and savings products	120 100%
Sygnia Life 2000/022679/06	2000 South Africa	1 October 2014	Houses the life insurance licence needed to provide products and services to retirement fund clients	860 100%
Sygnia Nominees RF 2012/035734/07	2012 South Africa	21 November 2012	The Company holds assets as a nominee on behalf of Sygnia Financial Services	100 100%
Sygnia Private Wealth 2014/180042/07	2014 South Africa	3 October 2014	Dormant	100 100%
Sygnia Securities 2014/064642/07	2014 South Africa	28 March 2014	Stockbroker used for the trading of Sygnia's index-tracking funds	100 100%
Sygnia Securities Nominees RF 2014/192565/07	2014 South Africa	7 November 2014	The Company holds assets as a nominee on behalf of Sygnia Securities	1 000 100%
Sygnia Support Services 2003/009185/07	2003 South Africa	17 September 2007	Internal support services company providing various centralised services to the Group	100 100%

Name and registration number	Date and place of incorporation and length of time during which business has been carried out	Date of becoming subsidiary	Main business	Issued ordinary share capital and Sygnia's effective shareholding
Sygnia Systems 2006/020617/07	2006 South Africa	17 September 2007	Software development company, focusing on the development of all proprietary software used by Sygnia	100 100%
Ulundi Corporate 2008/008517/07	2008 South Africa	20 June 2008	The Company acts as a corporate trustee	100 100%
Zamek Management 2008/006823/07	2008 South Africa	20 June 2008	The Company manages and acts as the general partner in one of more partnerships	100 100%

\* At the Last Practicable Date Sygnia held an 80% interest in Sygnia Asset Management. As a result of the Ulundi Settlement, which will take effect on 1 October 2015, Sygnia will hold 100% of Sygnia Asset Management

Details of the business activities of the above subsidiaries can be found in paragraph 1.3 of this Pre-Listing Statement. None of the subsidiaries are listed on the JSE.

Details of inter-company loans and other inter-company balances as at 31 March 2015 are listed below:

Name and registration number	Inter-company loans as at 31 March 2015	Other inter-company balances as at 31 March 2015
Sygnia Alchemy 2012/179679/07	R7 320 000 owing to Sygnia	R57 000 owing from Sygnia Financial Services R127 680 owing to Sygnia Asset Management
Sygnia Asset Management 2003/009329/07	R2 034 646 owing to Sygnia Life R41 127 457 owing from Sygnia R2 852 owing from Zamek Management R2 852 owing from Ulundi Corporate	R127 680 owing from Sygnia Alchemy R1 731 097 owing from Sygnia Collective Investments RF R208 536 owing to Sygnia Life R9 643 105 owing from Sygnia Life R516 056 owing to Sygnia Support Services R127 720 owing from Sygnia Support Services R182 400 owing from Sygnia Systems
Sygnia Collective Investments RF 2009/003063/07	R1 000 000 owing to Sygnia	R1 731 097 owing to Sygnia Asset Management R311 381 owing to Sygnia Financial Services
Sygnia Financial Services 2010/015491/07	R14 020 000 owing to Sygnia	R57 000 owing to Sygnia Alchemy R311 381 owing from Sygnia Collective Investments RF

<b>Name and registration number</b>	<b>Inter-company loans as at 31 March 2015</b>	<b>Other inter-company balances as at 31 March 2015</b>
Sygnia Life 2000/022679/09	R2 034 646 owing from Sygnia Asset Management	R208 536 owing from Sygnia Asset Management R9 643 105 owing to Sygnia Asset Management
Sygnia Securities 2014/064642/07	R5 400 000 owing to Sygnia	R17 556 owing to Sygnia Support Services
Sygnia Support Services 2003/009185/07	–	R516 056 owing from Sygnia Asset Management R17 556 owing from Sygnia Securities R127 720 owing to Sygnia Asset Management
Sygnia Systems 2006/020617/07	–	R182 400 owing to Sygnia Asset Management
Ulundi Corporate 2008/008517/07	R2 852 owing to Sygnia Asset Management	–
Zamek Management 2008/006823/07	R2 852 owing to Sygnia Asset Management	–

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**DETAILS OF PRINCIPAL IMMOVABLE PROPERTIES**


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Details of the principal leasehold properties as at the Last Practicable Date are set out below:

<b>Lessor</b>	<b>Lessee</b>	<b>Property type and size (m<sup>2</sup>)</b>	<b>Rent payable per year</b>	<b>Location</b>	<b>Expiry date</b>
Beret Properties	Sygnia	Office (790m <sup>2</sup> )	R1 753 800	Floor 5, The Foundry Cape Town	31 January 2020
Widok Properties	Sygnia	Office (1 314m <sup>2</sup> ) Parking (50 bays)	R3 827 160	Floors 6 and 7 The Foundry Cape Town	28 February 2020
Beret Properties	Sygnia	Office (588m <sup>2</sup> ) Parking (12 bays)	R1 121 037	2nd Floor Newport House Cape Town	28 February 2020
Beret Properties	Sygnia	Office (940m <sup>2</sup> ) Parking (37 bays)	R3 649 715	Unit 40 Katherine and West Building (Erf 16) Johannesburg	28 February 2019

Details of the principal owned property are set out below:

<b>Property</b>	<b>Property type</b>
The Foundry, Cape Town	Parking (32 bays)

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## EXTRACTS FROM THE MEMORANDUM OF INCORPORATION OF SYGNIA AS APPROVED BY THE JSE

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Extracts from the Memorandum of Incorporation providing for the issue of Ordinary shares, voting rights, appointment, qualification, remuneration and borrowing powers, interests of Directors and dividend are set out below.

### "6 ISSUE OF SHARES AND VARIATION OF RIGHTS

- 6.1 The Company is authorised to issue:
  - 6.1.1 500 000 000 (five hundred million) Ordinary Shares, of the same class, each of which ranks *pari passu* in respect of all rights and entitles the holder to:
    - 6.1.1.1 vote on any matter to be decided by the Shareholders of the Company and to 1 (one) vote in the case of a vote by means of a poll;
    - 6.1.1.2 participate proportionally in any distribution made by the Company; and
    - 6.1.1.3 receive proportionally the net assets of the Company upon its liquidation;
  - 6.1.2 such number of each of such further classes of Shares, if any, as are set out in Schedule 1 hereto subject to the preferences, rights, limitations and other terms associated with each such class set out therein.
- 6.2 For purposes of clause 6.1, *pari passu*, shall have the meaning attributed thereto in terms of the JSE Listings Requirements.
- 6.3 The Board shall not have the power to:
  - 6.3.1 increase or decrease the number of authorised Shares of any class of the Company's Shares;
  - 6.3.2 create any new class or classes of authorised but unissued Shares;
  - 6.3.3 consolidate and reduce the number of the Company's issued and authorised Shares of any class;
  - 6.3.4 subdivide its Shares of any class by increasing the number of its issued and authorised Shares of that class without an increase of its capital;
  - 6.3.5 convert any class of Shares into one or more other classes of Shares;
  - 6.3.6 reclassify any classified Shares that have been authorised but not issued;
  - 6.3.7 classify any unclassified Shares that have been authorised but not issued;
  - 6.3.8 determine the preferences, rights, limitations or other terms of any Shares; or
  - 6.3.9 change the name of the Company,
    - and such powers shall only be capable of being exercised by the Shareholders by way of a special resolution of the Shareholders.
- 6.4 All Securities of a class shall rank, *pari passu*, in all respects.
- 6.5 The Company has the power, subject to the authority of a special resolution as contemplated in clause 6.3 to subdivide its Shares of any class. Such subdivision may be effected through a mere splitting of, and consequential increase in, the authorised and issued Shares of the relevant class, and without an issue of new shares and an increase of its capital.

- 6.6 Each Share issued by the Company has associated with it an irrevocable right of the Shareholder to vote on any proposal to amend the preferences, rights, limitations and other terms associated with that Share. The variation of any preferences, rights, limitations and other terms associated with any class of Shares as set out in this Memorandum of Incorporation may be enacted only by an amendment of this Memorandum of Incorporation approved by special resolution adopted by the Ordinary Shareholders. If any amendment of the Memorandum of Incorporation relates to the variation of any preferences, rights, limitation or any other terms attaching to any other class of Shares already in issue, that amendment must not be implemented without a special resolution, taken by the holders of Shares of that class at a separate meeting. In such instances, the holders of such Shares will be allowed to vote at the meeting of Ordinary Shareholders subject to clause 22.2. No resolution of Shareholders in respect of such amendment shall be proposed or passed, unless a special resolution of the holders of the Shares of that class approve the amendment.
- 6.7 The authorisation and classification of Shares, the creation of any class of Shares, the conversion of one class of Shares into one or more other classes, the consolidation of Securities, the sub-division of Securities, the change of the name of the Company, the increase of the number of authorised Securities, and, subject to clause 6.6, the variation of any preferences, rights, limitations and other terms associated with each class of Shares as set out in this Memorandum of Incorporation may be changed only by an amendment of this Memorandum of Incorporation by special resolution of the Shareholders and in accordance with the JSE Listings Requirements, to the extent required, save if such an amendment is ordered by a court in terms of sections 16(1)(a) and 16(4) of the Act.
- 6.8 No Shares may be authorised in respect of which the preferences, rights, limitations or any other terms of any class of Shares may be varied and no such resolution may be proposed to Shareholders for rights to include such variation in response to any objectively ascertainable external fact or facts as provided for in sections 37(6) and 37(7) of the Act.
- 6.9 The Company may only issue Shares which are fully paid up and freely transferable and only within the classes and to the extent that those Shares have been authorised by or in terms of this Memorandum of Incorporation.
- 6.10 The Board may, subject to clauses 6.11 and 6.16, issue Shares at any time, but only within the classes and to the extent that those Shares have been authorised by or in terms of this Memorandum of Incorporation.
- 6.11 Subject to clauses 6.10 and 6.17, the Board may not issue unissued Ordinary Shares unless such Ordinary Shares have first been offered to existing Ordinary Shareholders in proportion to their shareholding (on such terms and in accordance with such procedures as the Board may determine), unless the relevant issue of Ordinary Shares:
- 6.11.1 is a capitalisation issue; or
  - 6.11.2 is for the acquisition of assets, is a vendor consideration placing related to an acquisition of assets, or is an issue for the purposes of an amalgamation or merger; or
  - 6.11.3 is an issue pursuant to options or conversion rights; or
  - 6.11.4 is an issue in terms of an approved share incentive scheme; or
  - 6.11.5 is an issue of shares for cash (as contemplated in the JSE Listings Requirements), which has been approved by the Shareholders by ordinary resolution, either by way of a general authority (which may be either conditional or unconditional) to issue Shares in its discretion or a specific authority in respect of any particular issue of Shares, in accordance with the JSE Listings Requirements, provided that, if such approval is in the form of a general authority to the Directors, it shall be valid only until the next annual general meeting of the Company or for 15 months from the date of the passing of the ordinary resolution, whichever is the earlier, and it may be varied or revoked by any general meeting of the Shareholders prior to such annual general meeting; or
  - 6.11.6 otherwise falls within a category in respect of which it is not, in terms of the JSE Listings Requirements, a requirement for the relevant Shares to be so offered to existing Ordinary Shareholders; or
  - 6.11.7 is otherwise undertaken in accordance with an authority approved by Ordinary Shareholders in general meeting,

provided that fractions of Shares will not be issued and that any fractions of Shares will be rounded or otherwise dealt with in accordance with the JSE Listings Requirements. After the expiration of the time within which an offer may be accepted, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the Shares offered, the Directors may, subject to the foregoing provisions, issue such Shares in such manner as they consider most beneficial to the Company.

- 6.12 The Directors may exclude any Shareholders or category of Shareholders from an offer contemplated in clause 6.11 if and to the extent that they consider it necessary or expedient to do so because of legal impediments or compliance with the laws or the requirements of any regulatory body of any territory, outside of South Africa, that may be applicable to the offer.
- 6.13 Alterations of share capital, authorised shares and rights attaching to a class/es of Shares; all issues of Shares for cash and all issues of options and convertible securities granted or issued for cash must, in addition to the foregoing provisions, be undertaken in accordance with the JSE Listings Requirements.
- 6.14 All Securities of the Company for which a listing is sought on the JSE and all Securities of the same class as Securities of the Company which are listed on the JSE must, notwithstanding the provisions of section 40(5) of the Act, but unless otherwise required by the Act, only be issued after the Company has received the consideration approved by the Company for the issuance of such Securities.
- 6.15 Subject to sections 40(5) to 40(7) of the Act, when the Company has received the consideration approved by the Board for the issuance of any Shares:
- 6.15.1 those Shares are fully paid up; and
- 6.15.2 the Company must issue those Shares and cause the name of the holder to be entered onto the Company's Securities Register in accordance with sections 49 to 56 of the Act.
- 6.16 Notwithstanding anything to the contrary contained in this Memorandum of Incorporation, any issue of Shares, Securities convertible into Shares, or rights exercisable for Shares in a transaction, or a series of integrated transactions shall, if and to the extent that this may be required in terms of section 41(3) of the Act, require the approval of the Shareholders by special resolution if the voting power of the class of Shares that are issued or are issuable as a result of the transaction or series of integrated transactions will be equal to or exceed 30% of the voting power of all the Shares of that class held by Shareholders immediately before that transaction or series of integrated transactions.
- 6.17 Except to the extent that any such right is specifically included as one of the rights, preferences or other terms upon which any class of Shares is issued or as may otherwise be provided in this Memorandum of Incorporation (as is set out in clause 6.11), no Shareholder shall have any pre-emptive or other similar preferential right to be offered or to subscribe for any additional Shares issued by the Company."

## "22 VOTES OF SHAREHOLDERS

- 22.1 Subject to any special rights or restrictions as to voting attached to any Shares by or in accordance with this Memorandum of Incorporation, at a meeting of the Company:
- 22.1.1 every person present and entitled to exercise voting rights shall be entitled to 1 (one) vote on a show of hands, irrespective of the number of voting rights that person would otherwise be entitled to exercise;
- 22.1.2 on a poll any person who is present at the meeting, whether as a Shareholder or as proxy for a Shareholder, has the number of votes determined in accordance with the voting rights associated with the Securities held by that Shareholder; and
- 22.1.3 the holders of Securities other than Ordinary Shares shall not be entitled to vote on any resolution at a meeting of Shareholders, except as provided in clause 22.2.
- 22.2 If any resolution is proposed as contemplated in clause 6.6, the holders of such Shares ("Affected Shareholders") shall be entitled to vote at the meeting of Ordinary Shareholders as contemplated in clause 22.1, provided that:
- 22.2.1 the votes of the Shares of that class held by the Affected Shareholders ("Affected Shares") shall not carry any special rights or privileges and each Affected Shareholder shall be entitled to 1 (one) vote for every Affected Share held; and

- 22.2.2 the total voting rights of all Securities, other than Ordinary Shares and any Securities which are special Shares created for the purpose of black economic empowerment in terms of the Broad-based Black Economic Empowerment Act, No 53 of 2004 and the Codes of Good Practice promulgated under such Act, shall not be more than 24.99% (twenty four point nine nine percent) of the total votes (including the votes of the Ordinary Shareholders) exercisable at that meeting.
- 22.3 Voting shall be conducted by means of a polled vote in respect of any matter to be voted on at a meeting of Shareholders if a demand is made for such a vote by:
- 22.3.1 at least 5 (five) persons having the right to vote on that matter, either as Shareholders or as proxies representing Shareholders; or
- 22.3.2 a Shareholder who is, or Shareholders who together are, entitled, as Shareholders or proxies representing Shareholders, to exercise at least 10% (ten percent) of the voting rights entitled to be voted on that matter; or
- 22.3.3 the chairperson of the meeting.
- 22.4 At any meeting of the Company a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded in accordance with the provisions of clause 22.3, and unless a poll is so demanded, a declaration by the chairperson that a resolution has, on a show of hands, been carried or carried unanimously or by a particular majority or defeated, and an entry to that effect in the book containing the minutes of the proceedings of the Company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of or against such resolution. The demand for a poll may be withdrawn.
- 22.5 If a poll is duly demanded, it shall be taken in such manner as the chairperson directs, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. In computing the majority on the poll, regard shall be had to the number of votes to which each Shareholder is entitled.
- 22.6 In the case of an equality of votes, whether on a show of hands or on a poll, the chairperson of the meeting at which the show of hands takes place, or at which the poll is demanded, shall not be entitled to a second or casting vote.
- 22.7 A poll demanded on the election of a chairperson (as contemplated in clause 20.5.2) or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the chairperson of the meeting directs. The demand for a poll shall not prevent the continuation of a meeting for the transaction of any business other than the question upon which the poll has been demanded.
- 22.8 Where there are joint registered holders of any Share, any 1 (one) of such persons may exercise all of the voting rights attached to that Share at any meeting, either personally or by proxy, as if he or she were solely entitled thereto. If more than 1 (one) of such joint holders is present at any meeting, personally or by proxy, the person so present whose name stands first in the Securities Register in respect of such Share shall alone be entitled to vote in respect thereof.
- 22.9 The board of any company or the controlling body of any other entity or person that holds any Securities of the Company may authorise any person to act as its representative at any meeting of Shareholders of the Company, in which event the following provisions will apply:
- 22.9.1 the person so authorised may exercise the same powers of the authorising company, entity or person as it could have exercised if it were an individual holder of Shares; and
- 22.9.2 the authorising company, entity or person shall lodge a resolution of the directors of such company or controlling body of such other entity or person confirming the granting of such authority, and certified under the hand of the chairperson or secretary thereof, with the Company before the commencement of any Shareholders' meeting at which such person intends to exercise any rights of such Shareholder, unless excused from doing so by the chairperson of such meeting in his sole discretion."

## **"26 COMPOSITION AND POWERS OF THE BOARD OF DIRECTORS**

### **26.1 Number of Directors**

- 26.1.1 In addition to the minimum number of Directors, if any, that the Company must have to satisfy any requirement in terms of the Act to appoint an audit committee and a social and ethics committee, the Board must comprise at least 4 (four) Directors and the Shareholders shall be entitled, by ordinary resolution, to determine such maximum number of Directors as they from time to time shall consider appropriate.
- 26.1.2 All Directors shall be elected by an ordinary resolution of the Shareholders at a general or annual general meeting of the Company and no appointment of a Director in accordance with a resolution passed in terms of section 60 shall be competent.
- 26.1.3 Every person holding office as a Director, prescribed officer, company secretary or auditor of the Company immediately before the effective date of the Act will, as contemplated in item 7(1) of Schedule 5 to the Act, continue to hold that office.

### **26.2 Election of Directors**

- 26.2.1 In any election of Directors:
  - 26.2.1.1 the election is to be conducted as a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy, with the series of votes continuing until all vacancies on the Board have been filled; and
  - 26.2.1.2 in each vote to fill a vacancy:
    - 26.2.1.2.1 each vote entitled to be exercised may be exercised once; and
    - 26.2.1.2.2 the vacancy is filled only if a majority of the votes exercised support the candidate.
- 26.2.2 The Company shall only have elected Directors and there shall be no appointed or ex officio Directors as contemplated in section 66(4).

### **26.3 Eligibility, Resignation and Rotation of Directors**

- 26.3.1 Apart from satisfying the qualification and eligibility requirements set out in section 69, a person need not satisfy any eligibility requirements or qualifications to become or remain a Director or a prescribed officer of the Company.
- 26.3.2 No Director shall be appointed for life or for an indefinite period and the Directors shall rotate in accordance with the following provisions of this clause 26.3.2:
  - 26.3.2.1 at each annual general meeting referred to in clause 20.2.1, 1/3 (one third) of the non-executive Directors for the time being, or if their number is not 3 (three) or a multiple of 3 (three), the number nearest to 1/3 (one third), but not less than 1/3 (one third), shall retire from office, provided that if a Director is appointed as an executive Director or as an employee of the Company in any other capacity, he or she shall not, while he or she continues to hold that position or office, be subject to retirement by rotation and he or she shall not, in such case, be taken into account in determining the rotation or retirement of Directors;
  - 26.3.2.2 the Directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who were elected as Directors on the same day, those to retire shall, unless they otherwise agree among themselves, be determined by lot;
  - 26.3.2.3 a retiring Director shall be eligible for re-election;
  - 26.3.2.4 the Company, at the general meeting at which a Director retires in the above manner, or at any other general meeting, may fill the vacancy by electing a person thereto, provided that the Company shall not be entitled to fill the vacancy by means of a resolution passed in accordance with clause 25;

26.3.2.5 if at any meeting at which an election of Directors ought to take place the offices of the retiring Directors are not filled, unless it is expressly resolved not to fill such vacancies, the meeting shall stand adjourned and the further provisions of this Memorandum of Incorporation, including clauses 20.4.2 to 20.4.5 (inclusive) will apply mutatis mutandis to such adjournment, and if at such adjourned meeting the vacancies are not filled, the retiring Directors, or such of them as have not had their offices filled, shall be deemed to have been re-elected at such adjourned meeting.

26.3.3 The Board shall, through its nomination committee if such committee has been constituted in terms of clause 32, provide the Shareholders with a recommendation in the notice of the meeting at which the re-election of a retiring Director is proposed, as to which retiring Directors are eligible for re-election, taking into account that Director's past performance and contribution. Sufficient time shall be allowed between the date of such notice and the date of the general meeting or annual general meeting at which the re-election of the Director is to be proposed to allow nominations to reach the Company's office from any part in the Republic.

#### 26.4 Powers of the Directors

26.4.1 The Board has the power to:

26.4.1.1 fill any vacancy on the Board on a temporary basis, as set out in section 68(3), provided that such appointment must be confirmed by the Shareholders, in accordance with clause 26.1.2, at the next annual general meeting of the Company, as required in terms of section 70(3)(b)(i); and

26.4.1.2 exercise all of the powers and perform any of the functions of the Company, as set out in section 66(1),

and the powers of the Board in this regard are only limited and restricted as contemplated in this clause 26.4.

26.4.2 The Directors may at any time and from time to time by power of attorney appoint any person or persons to be the attorney or attorneys and agent(s) of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors in terms of this Memorandum of Incorporation) and for such period and subject to such conditions as the Directors may from time to time think fit. Any such appointment may, if the Directors think fit, be made in favour of any company, the shareholders, directors, nominees or managers of any company or firm, or otherwise in favour of any fluctuating body of persons, whether nominated directly or indirectly by the Directors. Any such power of attorney may contain such provisions for the protection or convenience of persons dealing with such attorneys and agents as the Directors think fit. Any such attorneys or agents as aforesaid may be authorised by the Directors to sub-delegate all or any of the powers, authorities and discretions for the time being vested in them. Any reference to a power of attorney herein shall include any other form of delegation including the right to sub-delegate.

26.4.3 Save as otherwise expressly provided herein, all cheques, promissory notes, bills of exchange and other negotiable or transferable instruments, and all documents to be executed by the Company, shall be signed, drawn, accepted, endorsed or executed, as the case may be, in such manner as the Directors shall from time to time determine.

26.4.4 All acts performed by the Directors or by a committee of Directors or by any person acting as a Director or a member of a committee shall, notwithstanding that it shall afterwards be discovered that there was some defect in the appointment of the Directors or persons acting as aforesaid, or that any of them were disqualified from or had vacated office, be as valid as if every such person had been duly appointed and was qualified and had continued to be a Director or member of such committee.

26.4.5 If the number of Directors falls below the minimum number fixed in accordance with this Memorandum of Incorporation, the remaining Directors must as soon as possible and in any event not later than 3 (three) months from the date that the number falls below such minimum, fill the vacancy/ies in accordance with clause 26.4.1.1 or convene a general meeting for the purpose of filling the vacancies, and the failure by the Company to have the minimum number of Directors during the said 3 (three) month period does not limit or negate the authority of the board of Directors or invalidate anything done by the board of Directors while their number is below the minimum number fixed in accordance with this Memorandum of Incorporation.

26.4.6 The Directors in office may act notwithstanding any vacancy in their body, but if after the expiry of the 3 (three) month period contemplated in clause 26.4.5, their number remains below the minimum number fixed in accordance with this Memorandum of Incorporation, they may, for as long as their number is reduced below such minimum, act only for the purpose of filling vacancies in their body in terms of section 68(3) or of summoning general meetings of the Company, but not for any other purpose.

#### **26.5 Directors' Interests**

26.5.1 A Director may hold any other office or place of profit under the Company (except that of auditor) or any subsidiary of the Company in conjunction with the office of Director, for such period and on such terms as to remuneration (in addition to the remuneration to which he may be entitled as a Director) and otherwise as a disinterested quorum of the Directors may determine.

26.5.2 A Director of the Company may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested as shareholder or otherwise, provided that the appointment and remuneration in respect of such other office must be determined by a disinterested quorum of Directors.

26.5.3 Each Director and each alternate Director, prescribed officer and member of any committee of the Board (whether or not such latter persons are also members of the Board) shall, subject to the exemptions contained in section 75(2) and the qualifications contained in section 75(3), comply with all of the provisions of section 75 in the event that they (or any person who is a related person to them) has a personal financial interest in any matter to be considered by the Board.

26.5.4 Save where the Directors have obtained the prior approval of the JSE to so propose such a resolution, the proposal of any resolution to Shareholders in terms of sections 20(2) and 20(6) to permit or ratify an act of the Directors that is inconsistent with any limitation or restriction imposed by this Memorandum of Incorporation, or the authority of the Directors to perform such an act on behalf of the Company, is prohibited."

#### **"28 DIRECTORS' COMPENSATION AND FINANCIAL ASSISTANCE**

28.1 The Company may pay remuneration to the Directors for their services as Directors in accordance with a special resolution approved by the Shareholders within the previous 2 (two) years, as set out in section 66(8) and (9), and the power of the Company in this regard is not limited or restricted by this Memorandum of Incorporation.

28.2 Any Director who:

28.2.1 serves on any executive or other committee; or

28.2.2 devotes special attention to the business of the Company; or

28.2.3 goes or resides outside South Africa for the purpose of the Company; or

28.2.4 otherwise performs or binds himself to perform services which, in the opinion of the Directors, are outside the scope of the ordinary duties of a Director,

may be paid such extra remuneration or allowances in addition to or in substitution of the remuneration to which he may be entitled as a Director, as a disinterested quorum of the Directors may from time to time determine.

28.3 The Directors may also be paid all their travelling and other expenses properly and necessarily incurred by them in connection with:

28.3.1 the business of the Company; and

28.3.2 attending meetings of the Directors or of committees of the Directors of the Company.

28.4 The Board may, as contemplated in and subject to the requirements of section 45, authorise the Company to provide financial assistance to a Director, prescribed officer or other person referred to in section 45(2), and the power of the Board in this regard is not limited or restricted by this Memorandum of Incorporation."

### **"31 BORROWING POWERS**

- 31.1 Subject to the provisions of clause 31.2 the other provisions of this Memorandum of Incorporation, the Directors may from time to time:
- 31.1.1 borrow for the purposes of the Company such sums as they think fit; and
  - 31.1.2 secure the payment or repayment of any such sums, or any other sum, as they think fit, whether by the creation and issue of Securities, mortgage or charge upon all or any of the property or assets of the Company.
- 31.2 The Directors shall procure (but as regards subsidiaries of the Company only insofar as by the exercise of voting and other rights or powers of control exercisable by the Company they can so procure) that the aggregate principal amount at any one time outstanding in respect of moneys so borrowed or raised by:
- 31.2.1 the Company; and
  - 31.2.2 all the subsidiaries for the time being of the Company (excluding moneys borrowed or raised by any of such companies from any other of such companies but including the principal amount secured by any outstanding guarantees or suretyships given by the Company or any of its subsidiaries for the time being for the indebtedness of any other company or companies whatsoever and not already included in the aggregate amount of the moneys so borrowed or raised),
- shall not exceed the aggregate amount at that time authorised to be borrowed or secured by the Company or the subsidiaries for the time being of the Company (as the case may be)."

### **"35 DISTRIBUTIONS**

- 35.1 Subject to the provisions of the Act, and particularly section 46, the Company may make a proposed distribution if such distribution:
- 35.1.1 is pursuant to an existing legal obligation of the Company, or a court order; or
  - 35.1.2 is authorised by resolution of the Board, in compliance with the JSE Listings Requirements, provided that if such distribution is a repayment of capital, the Company shall not be entitled to make such distribution on the basis that it may be called up again.
- 35.2 No distribution shall bear interest against the Company, except as otherwise provided under the conditions of issue of the Shares in respect of which such distribution is payable.
- 35.3 Distributions may be declared either free of or subject to the deduction of income tax and any other tax or duty in respect of which the Company may be chargeable.
- 35.4 The Directors may from time to time declare and pay to the Shareholders such interim distributions as the Directors consider to be appropriate.
- 35.5 All distributions are to be declared by the Directors in accordance with the provisions of the Act.
- 35.6 All unclaimed distributions (other than monetary distributions) may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed, provided that distributions unclaimed for a period of 3 (three) years (or such longer period as the law may prescribe for the prescription of a claim) from the date on which they were declared may be declared forfeited by the Directors for the benefit of the Company. The Directors may at any time annul such forfeiture upon such conditions (if any) as they think fit. All unclaimed monies due to any Shareholder/s shall be held by the Company in trust until lawfully claimed by such Shareholder/s, provided that such unclaimed monies shall be subject to the laws of prescription.
- 35.7 Any distribution, interest or other sum payable in cash to the holder of a Share may be paid by cheque or warrant sent by post and addressed to:
- 35.7.1 the holder at his registered address; or
  - 35.7.2 in the case of joint holders, the holder whose name appears first in the Securities Register in respect of the Share, at his registered address; or
  - 35.7.3 such person and at such address as the holder or joint holders may in writing direct.

- 35.8 Every such cheque or warrant shall:
- 35.8.1 be made payable to the order of the person to whom it is addressed; and
  - 35.8.2 be sent at the risk of the holder or joint holders.
- 35.9 The Company shall not be responsible for the loss in transmission of any cheque or warrant or of any document (whether similar to a cheque or warrant or not) sent by post as aforesaid.
- 35.10 A holder or any one of two or more joint holders, or his or their agent duly appointed in writing, may give valid receipts for any distributions or other moneys paid in respect of a Share held by such holder or joint holders.
- 35.11 When such cheque or warrant is paid, it shall discharge the Company of any further liability in respect of the amount concerned.
- 35.12 A distribution may also be paid in any other way determined by the Directors, and if the directives of the Directors in that regard are complied with, the Company shall not be liable for any loss or damage which a Shareholder may suffer as a result thereof.
- 35.13 Without detracting from the ability of the Company to issue capitalisation Shares, any distribution may be paid wholly or in part:
- 35.13.1 by the distribution of specific assets; or
  - 35.13.2 by the issue of Shares, debentures or securities of the Company or of any other company; or
  - 35.13.3 in cash; or
  - 35.13.4 in any other way which the Directors or the Company in general meeting may at the time of declaring the distribution determine.
- 35.14 Where any difficulty arises in regard to such distribution, the Directors may settle that difficulty as they think expedient, and in particular may fix the value which shall be placed on such specific assets on distribution.
- 35.15 The Directors may:
- 35.15.1 determine that cash payments shall be made to any Shareholder on the basis of the value so fixed in order to secure equality of distribution; and
  - 35.15.2 vest any such assets in trustees upon such trusts for the benefit of the persons entitled to the distribution as the Directors deem expedient.
- 35.16 Any distribution must be made payable to Shareholders registered as at a date subsequent to the date of declaration thereof or the date of confirmation thereof, whichever is the later date."

#### **"ADDITIONAL CLASSES OF SHARES**

In addition to the Shares contemplated in clause 6.1.1 of the Memorandum of Incorporation to which this schedule is Schedule 1, the Company is authorised to issue no more than the following further Shares:

[Nil]"

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## CORPORATE GOVERNANCE STATEMENT

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Sygnia is fully committed to the principles of the Code of Corporate Practices and Conduct set out in King III.

In so doing, the Directors recognise the need to conduct the enterprise with integrity and in accordance with generally acceptable corporate practices. This includes timely, relevant and meaningful reporting to Shareholders and other stakeholders providing a proper and objective perspective of the Company and its activities.

The Directors have, accordingly, established mechanisms and policies appropriate to the Company's business in keeping with its commitment to best practices in corporate governance in order to ensure compliance with King III. The Board will review these from time to time.

The formal steps taken by the Directors are summarised below.

### BOARD CHARTER

The Board adopted a board charter as recommended in terms of the Code of Governance Principles for South Africa – 2009 ("the Board Charter").

The Board Charter is subject to the provisions of the Companies Act, the Memorandum of Incorporation, the Long-term Insurance Act, 52 of 1998 and any other applicable laws, legislation or regulatory provisions. The Board Charter is not intended to replace or amend the Memorandum of Incorporation in any way.

The Board Charter includes a section that regulates and formulates the appointment of Directors and which also ensures a clear balance of power and authority at Board level, to ensure that no one Director has unfettered powers of decision-making.

The purpose of this Charter is to:

- (a) comply with the Company's obligations in terms of King III where appropriate, thereby striving to adhere to the principles of good and effective corporate governance. Where appropriate the Company will explain any non-compliance with King III;
- (b) define the composition, roles, responsibilities, functions and powers of the Board, individual Directors, officials and executives of the Company;
- (c) provide an overview of the powers delegated to various Board committees; and
- (d) to provide an overview of the policies and practices of the Board in respect of matters such as corporate governance, trading by Directors in securities of the Company, declarations and conflicts of interest as well as the requirements for the Board's composition and meeting procedures.

The Board is empowered in terms of the Memorandum of Incorporation to appoint Board committees and to delegate certain functions to these committees without abdicating its own responsibilities. Delegation is formal and involves the following:

- Formal terms of reference are established and approved for each committee of the Board;
- The committees' terms of reference are reviewed once a year;
- The committees are appropriately constituted with due regard to the skills required by each committee; and
- The Board establishes a framework for the delegation of authority to management.

### BOARD SUB-COMMITTEES

The Board has the following committees:

- Audit committee;
- Risk committee – oversees the following committees:
  - Risk and compliance committee;
  - Investment committee;
  - Actuarial committee;

- Remuneration committee;
- Social and ethics committee; and
- IT steering committee.

## **AUDIT COMMITTEE**

The audit committee comprises three independent non-executive Directors, one of whom chairs the committee. Mr Ken Hopkins, Mr Kaizer Moyane and Professor Shirley Zinn were appointed to the committee as chairman and members respectively.

Mr Ken Hopkins, the chairman of the audit committee, is not the chairman of the Board.

The committee has an independent role with accountability to both the Board and Shareholders. The committee does not assume the functions of management, which remain the responsibility of the executive Directors, officers and other members of Senior Management.

The committee has the following specific responsibilities:

### *Financial reporting*

The committee oversees financial reporting, and in particular the committee must:

- review the annual financial statements, including accounting policies;
- comment in the annual financial statements on the financial statements, the accounting practices and the effectiveness of the internal financial controls;
- recommend to the Board the engagement of an external assurance provider on material sustainability issues; and
- recommend the annual financial statements for approval by the Board.

### *Combined assurance*

The committee will ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities, and in particular the committee should:

- ensure that the combined assurance received is appropriate to address all the significant risks facing the Company; and
- monitor the relationship between the external assurance providers and the Company.

### *Finance function and FD*

The committee reviews the expertise, resources and experience of the Company's finance function. The committee also considers and satisfies itself of the suitability of the expertise and experience of the CFO/FD every year.

### *External audit*

The committee is responsible for recommending the appointment of the external auditor and to oversee the external audit process and in this regard the committee must:

- nominate the external auditor for appointment by the Shareholders;
- approve the terms of engagement and remuneration for the external audit engagement;
- monitor and report on the independence of the external auditor in the annual financial statements;
- define a policy for non-audit services provided by the external auditor;
- pre-approve the contracts for non-audit services to be rendered by the external auditor;
- ensure that there is a process for the audit committee to be informed of any Reportable Irregularities (as identified in the Auditing Profession Act, 2005) identified and reported by the external auditor;
- review the quality and effectiveness of the external audit process;
- consider external audit findings and provide for corrective remedial action to be taken; and
- ensure that management imposes no limitation of scope of the audits.

## **RISK COMMITTEE**

The risk committee comprises three Directors (Mr Ken Hopkins, Professor Haroon Borat and Mrs Niki Giles).

The role of the committee is to assist the Board to ensure that the Group has implemented an effective policy and plan for risk management that will enhance the Group's ability to meet its strategic objectives.

The committee shall:

- (a) review the risk principles, policies and practices adopted by the Group;
- (b) review the management of risk, forensics, compliance and capital adequacy within the Group;
- (c) monitor specific risks such as investment, IT and other operational risks;
- (d) consider and approve the Group's risk policies and changes thereto; and
- (e) report to the Board on the adoption of any such policies.

## **SOCIAL AND ETHICS COMMITTEE**

The social and ethics committee comprises three Directors (Professor Shirley Zinn, Professor Haroon Borhat and Ms Magda Wierzycka).

The committee performs all the functions as are necessary to fulfil its role including the following statutory duties:

1. Monitoring the Company's activities, having regard to any relevant legislation, other legal requirements or prevailing codes of best practice, with regard to matters relating to:
  - Social and economic development, including the Group's standing in terms of the goals and purposes of:
    - The 10 principles set out in the United Global Compact Principles;
    - The Organisation for Economic Co-Operation and Development recommendations regarding corruption;
    - The Employment Equity Act; and
    - The B-BBEE Act;
  - Good corporate citizenship, including the Group's:
    - Promotion of equality, prevention of unfair discrimination, and reduction of corruption;
    - Contribution to development of the communities in which its activities are predominantly conducted or within which its products or services are predominantly marketed; and
    - Record of sponsorship, donations and charitable giving;
  - The environment, health and public safety, including the impact of the Group's activities and of its products or services;
  - Consumer relationships, including the Group's advertising, public relations and compliance with consumer protection laws; and
  - Labour and employment, including:
    - The Company's standing in terms of the International Labour Organisation Protocol on decent work and working conditions; and
    - The Group's employment relationships, and its contribution towards the educational development of its employees.
2. Drawing matters within its mandate to the attention of the Board as occasion requires; and
3. Reporting, through one of its members, to the Shareholders at the annual general meeting on the matters within its mandate.

There is a level of overlap/co-operation between the social and ethics committee, the risk committee and the audit committee. The audit committee provides assurance on sustainability matters to ensure credible integrated reporting. The risk committee assists the Board to fulfil its role with regard to the identification of sustainability risks. The social and ethics committee should assist the Board to achieve better performance on sustainability related matters.

## **REMUNERATION COMMITTEE**

The remuneration committee comprises four Directors (Professor Haroon Borhat, Professor Shirley Zinn, Mr Ken Hopkins and Mrs Niki Giles).

Professor Shirley Zinn is the chairman of the remuneration committee.

The duties of the committee include the following:

- review and approve the remuneration policy and any changes made;
- consult where necessary with external remuneration experts on the remuneration structure;
- review the level of executive remuneration at Sygnia to ensure competitiveness;
- approve the overall remuneration structure, with specific emphasis on the mix of base salary, bonus and long-term incentives;
- approve the approach to determining the bonus pool;
- approve the overall benefit structures, including any changes to staff benefits;
- reviewing the level and adequacy of staff benefits including health and retirement benefits;
- ensuring succession planning is in place and appropriate; and
- conduct search, if necessary, for any non-executive Director replacements and recommend candidates to the Board.

### **GROUP IT STEERING COMMITTEE**

The Group IT steering committee comprises two Directors (Ms Magda Wierzycka and Mrs Niki Giles), and Mr Wojciech Wierzycki (Head: IT and Systems).

The role of the committee is to oversee the information technology investment priorities for the Group.

The committee shall:

- (a) Provide strategic leadership for IT through the alignment of IT strategic objectives and activities with the Group strategic objectives and processes;
- (b) Prioritise IT investment initiatives and deliver final approvals and recommendations on proceeding with proposed IT projects; and
- (c) Ensure open communication between the IT department and the other functional units of the Group so as to promote collaborative planning.

The committee is not responsible in any way for the IT department operating budget, IT department staff, or any other aspect of day-to-day IT operations.

### **COMPLIANCE WITH KING III**

It will be the policy of Sygnia to meet regularly with institutional Shareholders and investment analysts, as well as to provide presentations on the Company and its performance.

Sygnia accepts the obligation to apply the practices prescribed by King III and has resolved as a business philosophy to adopt and pursue the same. It therefore strives to meet those objectives in accordance with the content of the table below.

The JSE expects issuers, in accordance with King III, to:

- address all the principals as set out in King III, which currently covers 75 principles;
- disclose how each and every principal has been applied or explain why or to what extent they were not applied;
- document the assessment of the 75 principles in the form of a register which must be made available on the website of Sygnia. The register will be available on the Company's website; and
- review the register on a regular basis to ensure that the disclosures are current and remain relevant.

In reading the table on the following page, the numbers 1 to 3 have the following meaning ascribed to them:

1 – Not applied/will not be applied

2 – In process/partially applied

3 – Full application

King III reference	King III principle	Level of compliance	Comments
<b>CHAPTER 1 – ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP</b>			
Principle 1.1	The board should provide effective leadership based on an ethical foundation.	3	The Board Charter provides for the appointment of Directors with sound ethical reputations. Directors are tasked with the responsibility of acting at all time in good faith, honestly and reasonably and to exercise due care and diligence.
Principle 1.2	The board should ensure that the company is and is seen to be a responsible corporate citizen.	3	The social and ethics committee has been established as a Board committee delegated with the responsibility and authority to ensure that Sygnia is at all times acting as a good corporate citizen in its interactions with all stakeholders. The social and ethics committee reports back to the Board on all social and ethical activities of the Group.
Principle 1.3	The board should ensure that the company's ethics are managed effectively.	3	The social and ethics committee monitors the Group's compliance with the ethics policy on an ongoing basis.
<b>CHAPTER 2 – BOARDS AND DIRECTORS</b>			
Principle 2.1	The board should act as the focal point for and custodian of corporate governance.	3	This responsibility is reflected in the Board Charter.
Principle 2.2	The board should appreciate that strategy, risk, performance and sustainability are inseparable.	3	The Board reviews and approves the ongoing strategy for the Group and receives regular feedback from various committees and senior management on the risk, performance and sustainability of the Group's activities.
Principle 2.3	The board should provide effective leadership based on an ethical foundation.	3	The Board is guided by the Group's ethics policy. The diverse experience of the independent non-executive Directors provides a good foundation for ethical and effective leadership of the Group.
Principle 2.4	The board should ensure that the company is and is seen to be a responsible corporate citizen.	3	The social and ethics committee has been established as a Board committee delegated with the responsibility and authority to ensure that Sygnia is at all times acting as a good corporate citizen in its interactions with all stakeholders. The social and ethics committee reports back to the Board on all social and ethical activities of the Group.
Principle 2.5	The board should ensure that the company's ethics are managed effectively.	3	The social and ethics committee monitors the Group's compliance with the ethics policy on an ongoing basis.
Principle 2.6	The board should ensure that the company has an effective and independent audit committee.	3	An audit committee consisting of independent Directors has been established by the Board.
Principle 2.7	The board should be responsible for the governance of risk.	3	A risk committee has been established by the Board, tasked with the responsibility of ensuring that the risks of the Group are identified and managed on an ongoing basis. The Board has approved the risk appetite for the Group.

King III reference	King III principle	Level of compliance	Comments
Principle 2.8	The board should be responsible for information technology (IT) governance.	3	The Board has established a Group IT steering committee to oversee the information technology investment priorities for the Group. Regular reports are provided to the Board on ongoing IT governance.
Principle 2.9	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	3	The Board has approved a regulatory and compliance policy which ensures that all laws, regulations, codes and standards applicable to the Group are identified, managed and adhered to by the Group. Sygnia has a strong culture of compliance with all regulatory requirements and a good working relationship with the main industry regulator.
Principle 2.10	The board should ensure that there is an effective risk-based internal audit.	3	The Board has outsourced internal audit to PWC. In addition, regular ISAE3402 Type II reviews are performed by the external auditors KPMG, around the processes and control of the asset management function.
Principle 2.11	The board should appreciate that stakeholders' perceptions affect the company's reputation.	3	The Board does appreciate its responsibility in terms of the Company's reputation and this is indirectly reflected in the Board Charter.
Principle 2.12	The board should ensure the integrity of the company's integrated report.	2	Sygnia has yet to produce an integrated report. However, the 2015 report will be reviewed and approved by the Board.
Principle 2.13	The board should report on the effectiveness of the company's system of internal controls.	2	A report by the Board on the effectiveness of the Company's internal controls will be included in the integrated report when produced.
Principle 2.14	The board and its directors should act in the best interests of the company.	3	All Directors are required to act in the best interest of the Company. Conflicts of interest are dealt with extensively in the Board Charter.
Principle 2.15	The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Companies Act, 71 of 2008.	3	Regular monitoring and reporting of capital requirements and solvency positions are made to the Board. Appropriate and timely action will be taken should there be an indication of inability to meet capital requirements or financial distress.
Principle 2.16	The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the board.	3	The Chairman of the Board, Professor Haroon Borat, is a non-executive Director. Professor Borat is not independent and the Company has appointed Professor Shirley Zinn as the lead independent Director.
Principle 2.17	The board should appoint the chief executive officer and establish a framework for the delegation of authority.	3	The Board has appointed Ms Magda Wierzycka as the Group CEO. All relevant delegations of authority have been made to the CEO in order to manage the day to day business of the Group.
Principle 2.18	The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.	3	The Board currently comprises three independent, non-executive Directors, one non-executive Director and two executive Directors.

King III reference	King III principle	Level of compliance	Comments
Principle 2.19	Directors should be appointed through a formal process.	3	The remuneration committee is tasked with the ongoing responsibility of evaluating new Directors as required. The responsibility for appointment rests with the Board and the Shareholders.
Principle 2.20	The induction of and ongoing training and development of directors should be conducted through formal processes.	3	Ongoing training is provided to the Board. The responsibility for ensuring induction and ongoing training of Directors rests with the Company Secretary, Mr Dave Johnson.
Principle 2.21	The board should be assisted by a competent, suitably qualified and experienced company secretary.	3	A competent, suitably qualified and experienced Company Secretary has been appointed.
Principle 2.22	The evaluation of the board, its committees and the individual directors should be performed every year.	3	Annual evaluations of the Board, its Directors and committees are conducted annually. These evaluations are arranged by the Company Secretary.
Principle 2.23	The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.	3	<p>The Board has established the following committees:</p> <ul style="list-style-type: none"> <li>• audit committee;</li> <li>• risk committee;</li> <li>• social and ethics committee;</li> <li>• remuneration committee; and</li> <li>• IT steering committee.</li> </ul> <p>Formal charters have been established for all committees and are reviewed annually. All committees report to the Board at least on an annual basis. Delegated authority does not mitigate the Board from discharging its duties or responsibilities.</p>
Principle 2.24	A governance framework should be agreed between the group and its subsidiary boards.	3	A governance framework is in place for the Group and adherence thereto is required by all of its subsidiary companies.
Principle 2.25	Companies should remunerate directors and executives fairly and responsibly.	3	The remuneration committee is tasked with the responsibility of ensuring that the Directors and senior management are remunerated fairly and responsibly.
Principle 2.26	Companies should disclose the remuneration of each individual director and prescribed officer.	2	Remuneration paid to each individual Director and key senior executives will be disclosed in the integrated report.
Principle 2.27	Shareholders should approve the company's remuneration policy.	3	The Shareholders of Sygnia have approved the company's remuneration policy.

### CHAPTER 3 – AUDIT COMMITTEES

Principle 3.1	The board should ensure that the company has an effective and independent audit committee.	3	An audit committee consisting of independent Directors has been established by the Board.
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King III reference	King III principle	Level of compliance	Comments
Principle 3.2	Audit committee members should be suitably skilled and experienced independent non-executive directors.	3	The audit committee comprises financially literate and professionally qualified members and is constituted only by independent non-executive Directors.
Principle 3.3	The audit committee should be chaired by an independent non-executive director.	3.	The audit committee is chaired by Mr Ken Hopkins, an independent non-executive Director.
Principle 3.4	The audit committee should oversee integrated reporting.	3	The audit committee will oversee the preparation of the integrated report and submit it to the Board for approval.
Principle 3.5	The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.	3	Sygnia has developed a combined assurance model, providing it with a coordinated approach to its assurance activities, in respect of the key risks identified by the annual risk management process.
Principle 3.6	The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function.	3	The expertise, resources and experience of the Company's finance function is evaluated on an annual basis by the audit committee.
Principle 3.7	The audit committee should be responsible for overseeing of internal audit.	3	The internal audit function is overseen by the audit committee. Annual internal audit plans are assessed and approved by the committee and all reports are submitted to the committee, by the internal auditors, for review.
Principle 3.8	The audit committee should be an integral component of the risk management process.	3	The audit committee has sight of the risk management process and responsibility for the combined assurance model for the Group, and as such are an integral component of the risk management process.
Principle 3.9	The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.	3	The audit committee is responsible for recommending the appointment of the external auditor and to oversee the external audit process. The independence of the external auditor is reviewed on an annual basis by the audit committee.
Principle 3.10	The audit committee should report to the board and shareholders on how it has discharged its duties.	3	The chairman of the audit committee reports into the Board. A report will also be included in the integrated report.

#### CHAPTER 4 – THE GOVERNANCE OF RISK

Principle 4.1	The board should be responsible for the governance of risk.	3	The Board is responsible for the governance of risk, assisted by the risk committee.
Principle 4.2	The board should determine the levels of risk tolerance.	3	The Board considers and approves the risk appetite and risk tolerance of the Group on an annual basis.
Principle 4.3	The risk committee or audit committee should assist the board in carrying out its risk responsibilities.	3	The Board has established a risk committee to assist it with carrying out its risk responsibilities. The function of the risk committee is clearly set out in its charter.

King III reference	King III principle	Level of compliance	Comments
Principle 4.4	The board should delegate to management the responsibility to design, implement and monitor the risk management plan.	3	The Board has delegated the responsibility to design, implement and monitor the risk management plan to the risk committee and to senior management.
Principle 4.5	The board should ensure that risk assessments are performed on a continual basis.	3	Continuous risk assessments are performed by management and reported through to the risk committee and the Board.
Principle 4.6	The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.	3	Sygnia has an established risk management framework in place to ensure that the probability of anticipating unpredictable risks is increased.
Principle 4.7	The board should ensure that management considers and implements appropriate risk responses.	3	The risk management framework ensures that an appropriate response to all risks identified is considered and implemented by management.
Principle 4.8	The board should ensure continual risk monitoring by management.	3	Risk monitoring is done on a continual basis by management through both formal and informal processes. Formal processes include a risk and compliance committee, consisting of senior management, reporting quarterly to the risk committee.
Principle 4.9	The board should receive assurance regarding the effectiveness of the risk management process.	2	Assurance regarding the effectiveness of the risk management process is provided to the Board by management. Internal audit will also be reporting on the risk management function to the Board.
Principle 4.10	The board should ensure that there are processes in place enabling complete, timely, relevant, accurate and accessible risk disclosure to stakeholders.	2	The relevant risks identified for the Group will be included in the integrated report.

## CHAPTER 5 – THE GOVERNANCE OF INFORMATION TECHNOLOGY

Principle 5.1	The board should be responsible for information technology (IT) governance.	3	The Board is responsible for IT governance of the Group and has established an IT steering committee to oversee the IT function.
Principle 5.2	IT should be aligned with the performance and sustainability objectives of the company.	3	IT governance is fully integrated into the ongoing strategy of the Group.
Principle 5.3	The board should delegate to management the responsibility for the implementation of an IT governance framework.	3	An IT steering committee has been established by the Board, consisting of the CEO, FD and the Group Head: IT and Systems Development.
Principle 5.4	The board should monitor and evaluate significant IT investments and expenditure.	3	The IT steering committee monitors and evaluates significant IT investments and expenditure. A report is tabled in this regard to the Board.
Principle 5.5	IT should form an integral part of the company's risk management.	3	The overall risk management framework includes evaluating the IT risks facing the Group. The risk committee monitors disaster recovery and other IT practices.

King III reference	King III principle	Level of compliance	Comments
Principle 5.6	The board should ensure that information assets are managed effectively.	3	The risk and compliance committee and the IT steering committee reports to the Board surrounding the governance and continuity of all information assets. Processes are in effect to continually monitor and re-evaluate how information assets are maintained and retired.
Principle 5.7	A risk committee and audit committee should assist the board in carrying out its IT responsibilities.	3	The risk committee has oversight of all identified IT risks and ensures ongoing monitoring of IT risk management. The audit committee oversees the combined assurance model, which includes the IT risks.

## CHAPTER 6 – COMPLIANCE WITH LAWS, CODES, RULES AND STANDARDS

Principle 6.1	The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.	3	The Board has approved a regulatory and compliance policy which ensures that all laws, regulations, codes and standards applicable to the Group are identified, managed and adhered to by the Group. Sygnia has a strong culture of compliance with all regulatory requirements and a good working relationship with the main industry regulator.
Principle 6.2	The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business.	3	The Board is provided with ongoing updates on changes in applicable legislation and its impact on the Group.
Principle 6.3	Compliance risk should form an integral part of the company's risk management process.	3	Sygnia has an established compliance function which is included in and forms part of the ongoing risk management process.
Principle 6.4	The board should delegate to management the implementation of an effective compliance framework and processes.	3	A regulatory compliance policy has been approved by the Board. This ensures that an effective compliance framework and processes are established and maintained regarding all compliance requirements of the Group.

## CHAPTER 7 – INTERNAL AUDIT

Principle 7.1	The board should ensure that there is an effective risk based internal audit.	3	An effective risk based internal audit function, including an internal audit charter has been established for the Group.
Principle 7.2	Internal audit should follow a risk based approach to its plan.	3	A risk based internal audit plan is established annually in consultation with management and the risk committee.
Principle 7.3	Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management.	3	Internal audit will provide a written assessment of the effectiveness of the Group's risk management. An ISAE3402 review is performed on a bi-annual basis to provide a written assessment of the Group's main operational internal controls. Where certain Group controls are not included in the ISAE3402, they will be reviewed and reported on by internal audit.

King III reference	King III principle	Level of compliance	Comments
Principle 7.4	The audit committee should be responsible for overseeing internal audit.	3	Internal audit is appointed by the audit committee and the audit committee has the responsibility, together with management, of approving the annual audit plan. Regular evaluations are performed of the effectiveness of the internal audit appointment.
Principle 7.5	Internal audit should be strategically positioned to achieve its objectives.	3	Sygnia has outsourced its internal audit function to PWC. The internal audit function is independent of management and reports directly to the audit committee.

#### CHAPTER 8 – GOVERNING STAKEHOLDER RELATIONSHIPS

Principle 8.1	The board should appreciate that stakeholders' perceptions affect a company's reputation.	2	Sygnia's integrated report will provide an opportunity to communicate with the stakeholders of the Group, ensuring positive perceptions of the Group and its ongoing activities.
Principle 8.2	The board should delegate to management to proactively deal with stakeholder relationships.	3	Management has been delegated the responsibility of dealing with stakeholder relationships. Stakeholders engage with management at various levels within the Group and management is encouraged to proactively engage with stakeholders through various platforms. An investor relations officer has been appointed specifically to deal with any Shareholder relationships.
Principle 8.3	The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company.	3	Sygnia Board considers the various stakeholders of the Group while making decisions in the best interest of the Group.
Principle 8.4	Companies should ensure the equitable treatment of shareholders.	3	All Shareholders of Sygnia are treated equally.
Principle 8.5	Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.	3	Sygnia maintains, where possible, transparent and effective communication with its stakeholders. Communication may take place through formal and informal channels. The Group's access to information policy is available on its website.
Principle 8.6	The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.	3	Management of Sygnia strives to ensure that all disputes are resolved as effectively, efficiently and expeditiously as possible.

#### CHAPTER 9 – INTEGRATED REPORTING AND DISCLOSURE

Principle 9.1	The board should ensure the integrity of the company's integrated report.	2	Sygnia has yet to produce an integrated report. However, the 2015 report will be reviewed and approved by the Board.
Principle 9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting.	2	Sustainability reporting and disclosure will be included in Sygnia's first integrated report for the 2015 financial year.
Principle 9.3	Sustainability reporting and disclosure should be independently assured.	3	Sygnia will issue its first fully integrated report for the 2015 financial year which will be, to the extent required, independently verified by the auditors.

