

Integrated Report 2021



Sygnia 

Contents



Scope of the report	3	Corporate governance	19
Sygnia Group	4	Business sustainability	30
Highlights	5	Notice of the annual general meeting	34
Chairperson's report	6	Form of proxy	38
Chief executive officer's report	8	Glossary of terms	42
Our business	11	Audited consolidated annual financial statements	43

Turning ordinary savers into
extraordinary investors

Scope of the report

This report has been designed to communicate Sygnia’s objectives, value creation proposition and business sustainability to all stakeholders to enhance their understanding of the Group.

Introduction

Sygnia Limited (“Sygnia” or “the Group”, which includes all its subsidiaries) is pleased to present its Integrated Report covering the performance of the Group from 1 October 2020 to 30 September 2021. This report provides an overview of the Group’s financial, governance, environmental and social components for stakeholders to assess the Group’s ability to create and sustain value over the short, medium and long term.

Framework and guidelines

The 2021 Integrated Report has been compiled in accordance with the International Integrated Reporting Framework (“IIRF”), discussion papers issued by the International Integrated Reporting Council (“IIRC”) and the Integrated Reporting Council of South Africa (“IRCSA”), and, as required by the applicable legislation, the report indicates how the Group has applied the principles of the King IV Report on Corporate Governance (“King IV”). The King IV principles have been applied and explained as outlined in the relevant sections of this report.

The IIRC recommends reference to the six capitals or stores of value that a company can use in the production of its goods and services, namely: financial capital, human capital, intellectual capital, social and relationship capital, natural capital, and manufactured capital. Only the first four are regarded as relevant to Sygnia and are thus covered in this report.

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

Assurance

The financial statements have been audited by Mazars, whose unmodified opinion is included on page 51 of this Integrated Report.

Forward-looking statements

The 2021 Integrated Report contains references to forward-looking statements. These statements are subject to risks and uncertainties, which may result in the actual performance being materially different from what has been expressed or implied by such statements. Stakeholders are thus advised not to place undue reliance on any forward-looking statements.

Sygnia will not update or revise any forward-looking statements, even if new information becomes available, other than as required in terms of the Listings Requirements of the JSE.

Statement of responsibility

The Audit and Risk Committee acknowledges its oversight responsibility, on behalf of the board of directors (“the board”) to assess the integrity of this Integrated Report. The Audit and Risk Committee has accordingly applied its mind to the report and believes that it appropriately and sufficiently addresses all material issues and fairly presents the integrated performance of Sygnia for the year ended 30 September 2021, within the scope and boundaries mentioned in the preceding paragraphs.

The Audit and Risk Committee recommended this Integrated Report to the board for approval.

Board assurance and approval for publication

The board has established processes and policies appropriate for Sygnia to ensure that the Group applies the principles outlined by King IV which it confirms through the application of the King Code disclosure and application regime. The board of directors further confirms that Sygnia complies with the Companies Act, No. 71 of 2008 and is operating in conformity with its Memorandum of Incorporation. The board is ultimately responsible to ensure the integrity of the 2021 Integrated Report and has approved the final report.

The directors have applied their collective minds in the preparation and presentation of this report in accordance with the requirements of the IIRF and have satisfied themselves of the materiality, accuracy and balance of disclosures in terms of the performance of Sygnia for the year ended 30 September 2021.

The 2021 Integrated Report was approved by the board on 6 December 2021 for publication.

Magda Wierzycka
Chairperson

David Hufton
Chief Executive Officer

Sygnia Group

The Sygnia Group comprises the holding company, Sygnia Limited, listed on the main board of the Johannesburg Stock Exchange ("JSE") and the A2X exchange, as well as its wholly-owned subsidiaries (unless otherwise indicated).

Sygnia Asset Management Proprietary Limited ("Sygnia Asset Management")

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

- Multi-manager investment solutions
- Specialist and balanced index-tracking solutions
- Management and administration of custom-designed investment strategies
- Transition management
- Investment administration

Sygnia Life Limited ("Sygnia Life")

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

Sygnia Collective Investments (RF) Proprietary Limited ("Sygnia Collective Investments")

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

Sygnia Capital (RF) Proprietary Limited ("Sygnia Capital")

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

Sygnia Itrix (RF) Proprietary Limited ("Sygnia Itrix")

A management company that offers a range of exchange traded funds listed on the JSE.

Sygnia Securities Proprietary Limited ("Sygnia Securities")

An "agency-only" stockbroker that does not engage in proprietary trading, used for Sygnia's index-tracking funds and transition management programmes, and which also provides securities lending services.

Sygnia Securities Nominees (RF) Proprietary Limited ("Sygnia Securities Nominees")

A nominee company for Sygnia Securities.

Sygnia Financial Services Proprietary Limited ("Sygnia Financial Services")

A linked investment service provider ("LISP") company that offers investment administration services and savings products (retirement annuities, living annuities, preservation funds, investment policies, and tax-free savings accounts) to the retail market.

Sygnia Nominees (RF) Proprietary Limited ("Sygnia Nominees")

A nominee company for Sygnia Financial Services.

Sygnia Benefit Administrators Proprietary Limited ("Sygnia Benefit Administrators")

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

Sygnia Holdings UK Limited ("Sygnia UK")

A group structure registered in the United Kingdom to house the individual operating entities registered for the purposes of expansion into the UK.

Sygnia Asset Management UK Limited ("Sygnia Asset Management UK")

A wholly-owned subsidiary of Sygnia UK that provides investment advisory services, support services and operates as a general partner to a UK partnership.

WealthFoundry Proprietary Limited ("WealthFoundry")

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

100%	Sygnia Asset Management		
100%	Sygnia Life		
100%	Sygnia Collective Investments		
100%	Sygnia Capital	→	100% Sygnia Itrix
100%	Sygnia Securities	→	100% Sygnia Securities Nominees
100%	Sygnia Financial Services	→	100% Sygnia Nominees
100%	Sygnia Benefit Administrators		
100%	Sygnia UK	→	100% Sygnia Asset Management UK
51%	WealthFoundry		

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

Highlights

For the year ended 30 September 2021

Assets under management
and administration

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

Revenue

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

Profit after tax

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

Basic earnings and headline
earnings per share

170.7c (2020: 146.4 cents) **↗16.6%**

Total dividend
per share

135c (2020: 110 cents) **↗22.7%**

Chairperson's report



In my first report as Executive Chairperson of Sygnia Limited it would be remiss of me not to start by thanking Professor Haroon Borat for chairing our board of directors for so many years. He has been with us from almost the start of the company and has guided us through many a storm. He remains a highly respected and valued member of the board in his new role as an independent non-executive director.

2021 has been a watershed for me personally, as I stepped down as the chief executive of Sygnia. One of the reasons I did so is that I have always recognised that as companies grow and their operational complexity increases, the skill set required of an effective chief executive is different from that of an entrepreneurial founder. In David Hufton I have found just the right successor. David joined Sygnia over five years ago with a clear view to succeeding me in time, and I am confident that the time has arrived. My family remain the majority shareholders of Sygnia, and in my executive role I will remain intricately involved in setting and managing the strategy of the business.

South Africa has endured turbulent times over the past year and a half. The Covid-19 pandemic has wreaked havoc on emerging markets, with the services sector suffering the most damage due to a shutdown of tourism, frequent lockdowns and rules around social interactions. We cannot underestimate the fact that over fifty percent of our country's people are unemployed. The poverty that surrounds us requires solid growth policies and a collaborative approach to delivering on those policies. Unfortunately, based on the municipal election results in November 2021, this unity seems to be lacking. As much as opposition parties frequently use the rhetoric of "party over country" to criticise President Cyril Ramaphosa, all the political parties have behaved in the same self-interested manner. The drop in support for the ANC has not necessarily translated into support for other parties. Rather, disillusioned voters have opted not to vote. Lack of engagement never leads to positive long-term outcomes.

And so we will live through two more turbulent years before the national election results are decided. Even then, it is important to recognise that if the ANC loses its fifty percent majority and is forced to form a coalition, coalition governments have never been hugely successful, with compromises rather than solid policies driving the national agenda.

“Beyond politics, what really keeps me awake at night is South Africa's electricity crisis.”

Lack of a reliable electricity supply will impact growth, discourage foreign investors and lead to even more skilled people leaving the country. We cannot afford these factors to undermine the economy, but as it stands, they all do. There are no short-term or easy solutions after years of neglect underpinned by rampant corruption. President Ramaphosa recently secured a partnership deal with other world leaders valued at R131 billion over the next three to five years for highly concessional climate financing that is meant to help transition South Africa away from coal to cleaner forms of energy. However, this transition is likely to take a long time and will face resistance from trade unions. It is also not a solution to Eskom's R402 billion debt woes. South Africans must prepare for many more years of load-shedding and all the negative associations this brings. Generators, inverters and UPSs are here to stay, making ongoing business conditions challenging and costly.

Most foreign investors do not believe a long-term investment case can be made for South Africa right now. Our high bond yields, a function of our government's perceived default risk levels, continue to attract short-term speculative flows that prop up the rand but are not true job-creation investments.

In evaluating South Africa, however, one must also look more broadly at the post-pandemic world. Shifting geopolitical relationships create as much risk and uncertainty as one country's specific risk levels. Countries such as Belarus and Russia have openly challenged the West in response to the sanctions under which they have been placed, whilst China is flexing its muscles over Taiwan's sovereignty. Such aggression does not bode well for the export of microchips from China



and gas from Russia, as examples. Already, a lack of the former and subtle (albeit denied) moves by Russia to restrict gas supplies to the European Union have resulted in a spike in inflation. Inflation is particularly relevant to South Africa, as any slowdown in quantitative easing measures, such as an increase in interest rates by the United States, will translate into a higher cost of borrowing which is likely to translate into outflows from South African investment markets and a weakening of the rand.

On a positive side, the widespread availability of the Covid-19 vaccine to the South African population has lowered the risks associated with the disease. On a negative side the recent emergence of yet another variant of the virus has demonstrated just how short-lived any gains can be. The travel corridors which finally opened, bringing hope to all those working in the tourism industry, closed overnight. The anti-vaccine movement, which remains very vocal on social media, has led to an entirely unnecessary vaccine hesitancy. This has been exacerbated by difficulties in distribution, particularly to townships and rural areas.

In writing this report I am acutely aware of the fact that it carries many negative messages. However, there is no point in sugar-coating the situation. Only brutal honesty can set us on a path towards a brighter future.

I am very proud that against this background, Sygnia has managed to hold its own. As much as the institutional market is shrinking due to retrenchments and a lack of new job openings, the retail market is growing strongly. Our brand recognition amongst the South African public has never been stronger, nor have the resulting inflows. The management team has once again delivered strong financial results against a difficult economic background and must be congratulated for their dedication and effort. I am sure the company will continue to go from strength to strength under its new leadership.

I would also like to thank all our long-standing clients of Sygnia for their continued and unwavering support and a warm welcome to those who recently joined us on our journey.

Magda Wierzycka
Chairperson

Chief executive officer's report



The pandemic has caused profound damage to many industries and businesses that are served by the financial services industry. Yet despite another extraordinarily challenging year managing our clients' investments, our resilient and diversified business model delivered pleasing earnings growth on the back of our stellar performance of the previous year.

Much has changed since the onset of Covid-19, as public policy responses the world over looked to reduce the spread of the virus and support financially distressed households and businesses. The first doses of vaccines were deployed late last year and an end is now in sight to the health crisis in many countries. Economic recovery is also taking shape globally on the back of unprecedented fiscal responses by governments, albeit at an uneven pace due to different national circumstances. Still, the world is generally faring better than was hoped for a year ago although the emergence of new coronavirus variants risk setting back the fight against the pandemic.

But even as the pandemic is slowly being contained by one of the most remarkable medical triumphs of our lifetime, its devastating economic impact is predicted to be long lasting, especially in the hardest-hit developing economies where vaccinations are lagging.

In South Africa, the impact on our already fragile pre-pandemic economy looks likely to persist for some time. While the early challenges of vaccine procurement are behind us, we are now faced with vaccine hesitancy with the proportion of the adult population fully vaccinated at about half the global average. Improving vaccination rates is key to kickstarting our economy which, notwithstanding a commodity windfall, is also suffering from the aftershocks of the social unrest and criminal behaviour in KwaZulu-Natal and parts of Gauteng during July. Attempts to tackle the deepening socio-economic divide have been undermined by weak growth and decade-high unemployment. Our national debt is reaching unsustainable servicing levels, which is crowding out investment priorities. Optimistically, South Africa has the ingredients to set the country on a growth path, but it needs bold and resolute leadership: we must deal with the overstretched state of our public finances to avoid the looming debt trap, bring an end to policy uncertainty, punish corruption and sabotage, and decisively address our energy security crisis.

The Sygnia business model was tested again over the last 12 months and proved operationally, technologically, and financially resilient as we recorded solid growth in revenue, profit, and assets under management and administration ("AUMA"). This was possible because around 300 talented people served our clients with distinction when it was most needed and seized many new business opportunities, all while navigating these trying times.

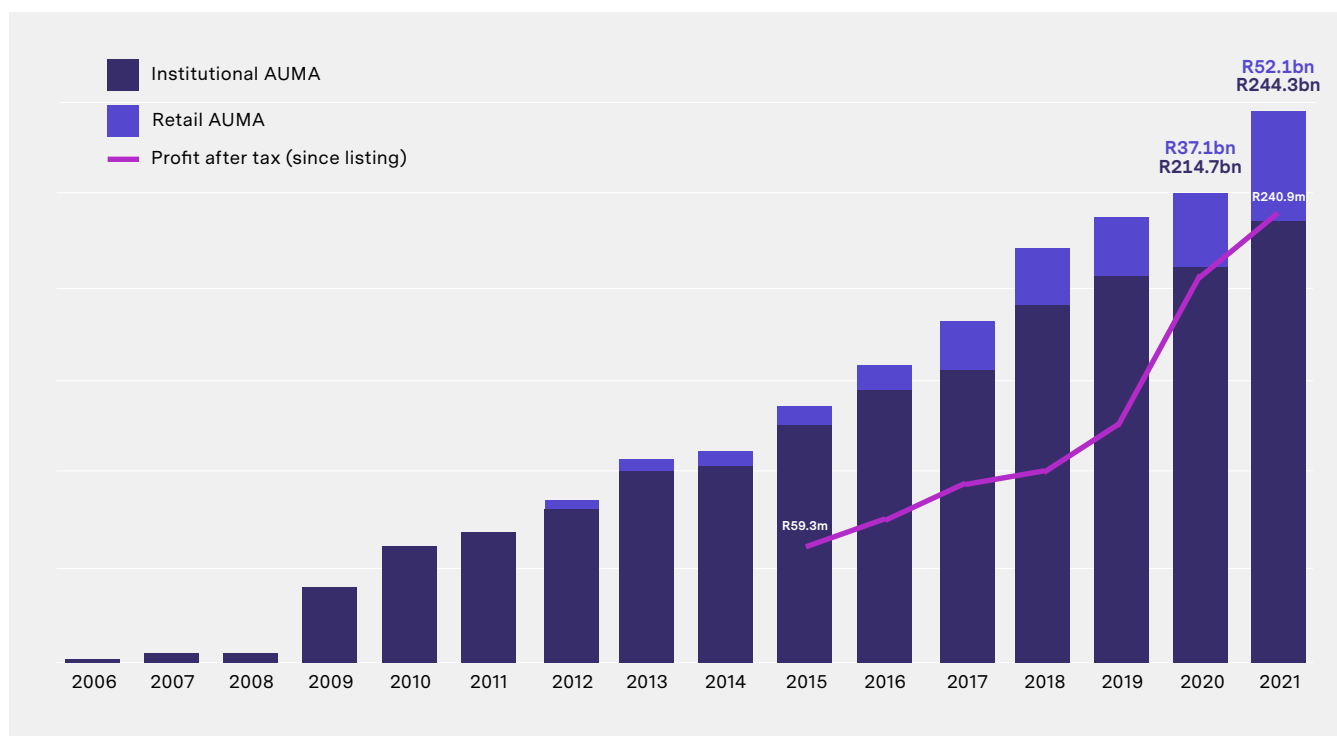
Top investment performance

Eighty seven percent of our funds have outperformed their respective benchmarks over all timeframes since inception. Compared to peers, our performance track record is compelling, with both our institutional and retail range of funds ranked top- quartile across virtually all risk profiles over the medium- to long-term to 30 September 2021, with several funds topping industry surveys over the long term.

Both our institutional flagship Sygnia Signature and Skeleton risk-profiled ranges of funds outperformed their multi-manager peers over ten years, and the Sygnia Signature 70 fund outperformed the global balanced funds of all large South African managers over ten years to 30 September 2021 (source: Alexander Forbes surveys).

The Sygnia Skeleton Balanced 60 Fund was ranked 1st out of 54 mostly actively managed medium equity retail funds from its inception in 2014 to 30 September 2021. Since their respective launch dates, the Sygnia 4th Industrial Revolution Global Equity Fund and the Sygnia FAANG Plus Equity Fund ranked 2nd and 3rd out of 43 and 53 global equity funds, respectively (source: Morningstar).

We continue to expand our line-up of funds, having listed three more exchange traded funds on the Johannesburg Stock Exchange during the year.



Business performance

The ongoing success of the Group is predominantly linked to the growth of AUMA on behalf of a mix of institutional and retail clients. Owing to market appreciation and overall net inflows of R5.4 billion, AUMA grew by 17.7% over the year to a record R296.4 billion (2020: R251.8 billion). Average AUMA increased by 14.8% year-on-year.

It was another good year for our retail business, which ended the year with R52.1 billion AUMA (2020: R37.1 billion) on the back of R10.0 billion net inflows. We attribute this success to our commitment to low-cost products resonating with an ever-expanding network of supportive financial advisory firms and direct investors. The number of retail investors using the Sygnia LISP platform increased considerably, to more than 35,000 at year end compared to around 24,000 a year ago. Significantly by industry standards, 46% are DIY investors, with the balance being advice-led, which speaks of our appeal to all types of investors.

We remain committed to launching a new and revolutionary retail platform and, while our plans have run overschedule in the hands of one of the world's leading platform providers, we are confident the new platform will be unveiled in the coming months. In keeping with our emphasis on technology across our evolving operating model, it will give rise to cost savings, scalability opportunities and an enhanced investor experience.

Institutional AUMA increased to R244.3 billion as at 30 September 2021 (September 2020: R214.7 billion), with new assets under management contributing R4.8 billion to that growth. Detracting from growth was net outflows of R9.4 billion in our lower-margin assets under administration customer base, largely due to the lingering impact of the pandemic on sponsoring employers of retirement funds.

While new opportunities among stand-alone retirement funds are generally fewer due to industry consolidation, the appetite among those funds for passive investing is on the rise and Sygnia is well positioned to take advantage of that shift.

The Sygnia Umbrella Retirement Fund ("SURF") accounts for R8.9 billion of the institutional AUM (September 2020: R6.3 billion), which together with R1.8 billion awaiting regulatory transfer approval makes SURF the sixth-largest commercial umbrella fund in South Africa, with assets now surpassing the R10 billion milestone. We expect SURF to continue to benefit from the ongoing migration of employers of all sizes to umbrella funds.

Alongside our stockbroking business, our treasury and scrip-lending services that started three years ago have already become significant contributors to the business, although the latter suffered uncontrollable headwinds during the 2021 financial year which led to lower-than-expected revenue.

The overall performance of the company has enabled the board to reward shareholders by declaring a final dividend of 80 cents per share (2020: 70 cents), bringing our total dividend for 2021 to 135 cents per share (2020: 110 cents) and an average annual dividend growth rate of 31% over the last three years.

Positive B-BBEE impact

Towards the end of our financial year we unwound the broad-based vendor-financed share scheme for black staff and management that was established in 2013. We are especially pleased that the scheme served its purpose, rewarding 149 beneficiaries with considerable cash payments for their contribution to the success of the Group.

After recouping the initial scheme funding advanced by the company, it was returned to shareholders during October 2021 by way of a capital distribution of 48 cents per share.

Market conditions

While 2021 has seen a remarkable recovery in markets from the 2020 Covid-induced recession, it has also brought with it the shadow of rising inflation for the first time since the global financial crisis. This fear of rising prices has also led to the realisation that central banks around the globe will need to normalise monetary policy and end the great liquidity experiment, which has greatly benefitted markets like South Africa. The rand has strengthened close to 10% over the past year, but as a nation we still have a large fiscal imbalance to contend with. Positive terms of trade, notably from high commodity prices, also provided tailwinds for the local currency, but supply chain bottlenecks and the energy crisis will soon turn these to headwinds, and the fiscus will have to be very disciplined to avoid a debt trap.

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

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

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

Looking ahead

Having already shifted our attention to the 2022 financial year, our actions remain guided by our vision to turn ordinary savers into extraordinary investors, and our growth strategy for delivering value to shareholders is unchanged. We continue to focus on growing AUMA in both the institutional and retail markets, supported by strong investment performance at low cost, a commitment to ongoing innovation and the relentless pursuit of superior customer service through technology and the personal touch.

“Passive investing is on the rise in South Africa, and Sygnia is well positioned to take advantage of a growing scepticism among investors about the more expensive alternative of active management, especially in a low-return environment.”

We are also taking the lead in thematic investing that challenges conventional investment decision-making. From the disruptive technologies of the fourth industrial revolution to the rise of emerging markets, we offer investors an ever-widening range of exposure to the mega-trends that are shaping the future and that have the potential to deliver uncorrelated and superior returns to the broader global economy over time. At the same time, we are driven to leverage the benefits of scale through ongoing automation, and managing risk is inherent in everything we do.

Leadership changes

To Professor Haroon Borat I extend my appreciation for his leadership of the board since 2015. Haroon continues to serve on the board in a non-executive capacity following Magda Wierzycka becoming our executive chairperson on 1 June 2021. Since co-founding Sygnia in 2006, it has grown into a market-leading financial services group under Magda's leadership. Her vision of investment management has created an incredible foundation and brand to build on, and, on a personal note, I am privileged that I can count on her counsel and invaluable contribution to the strategic direction of the Group.

Conclusion

The economic outlook for South Africa is uncertain, and we face numerous political challenges alongside the arrival of a fourth Covid-19 wave. However, the local economy has rebounded from the low points of the hard lockdown measures and business confidence is improving. Strong growth is critical for the country to avoid a debt trap and to support a sustainable recovery. Fiscal discipline in the face of the increasing demands of an unsettled population will require a strong will on the part of the National Treasury, but we remain cautiously confident that the required steps will be taken.

I am also optimistic about Sygnia's financial year ahead and the Group's longer-term future. We are well positioned to benefit from investors' changing preferences and to continue to deliver organic growth in assets under management. I am pleased by what Sygnia accomplished in its 2021 financial year, and I owe my gratitude to the always dedicated and hardworking Sygnia staff, to the management team for their remarkable effort, and to my fellow board members for their support and guidance.

Lastly, it is not lost on me that many of our clients are still counting the cost of the pandemic while Sygnia continues to prosper. I wish them the very best in dealing with the challenges that lie ahead and extend my appreciation to all our clients for their support.

David Hufton

Chief Executive Officer

Our business

Sygnia is a financial services group based in South Africa and the United Kingdom and listed on the Johannesburg Stock Exchange and on the A2X exchange. The Group focuses on the provision of investment management solutions and administration services to institutional and retail clients located predominantly in South Africa.

Introduction

Founded in 2006, Sygnia entered the institutional investment market with R2 billion under management on behalf of a few retirement funds. Today, Sygnia is the second largest multi-management company in South Africa, one of the two largest passive managers in the country, and the largest provider of international exchange traded funds ("ETFs") in South Africa, with assets under management and administration of R296.4 billion as at 30 September 2021. The Group employs 297 people across its Cape Town headquarters and its offices in Johannesburg, Durban and London.

Sygnia offers domestic and international multi-manager and index-tracking funds, customised investment strategy design and management, transition management, and investment and liability administration services to institutional and retail clients. Institutional investors can access Sygnia's offerings directly and employers can do so through the Sygnia Umbrella Retirement Fund ("SURF") on behalf of their employees. Retail investors have access to Sygnia-managed unit trusts and JSE-listed ETFs, either directly or through a comprehensive range of savings products, accessible on the Sygnia Linked Investor Service Provider ("LISP") platform and various other LISP platforms. Our retail distribution strategy is supplemented by the Sygnia RoboAdvisor.

Our history

Sygnia's operations date back to 2003, when the founding shareholders of Sygnia started one of the first domestic funds-of-hedge-funds operations in South Africa and began developing systems suited to the administration of multi-manager investment portfolio structures. In the same year, those undertakings were acquired by African Harvest Proprietary Limited and Magda Wierzycka was appointed CEO of African Harvest. In 2006, the African Harvest group was split in two, with the active asset management division being sold to Cadiz Proprietary Limited and the passive asset management, multi-management, funds-of-hedge-funds, and software development divisions being sold to the original founding shareholders. The latter entities commenced operating under the Sygnia brand name on 1 November 2006.

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

2006

Sygnia enters the institutional market by reinventing the "multi-manager" proposition: instead of standard "off-the-shelf" solutions, it offers customised investment strategies underpinned by its leading-edge investment administration platform.

Sygnia launches its own range of institutional multi-manager funds - the Sygnia Signature range, blending actively managed strategies that are outsourced to third-party asset managers with in-house managed passive strategies.

2012

The company launches index-tracking funds, including the first South African passively managed multi-asset-class range of life funds - the Sygnia Skeleton funds.

Sygnia expands into the retail market with the launch of a range of multi-manager unit trusts.

2013

The Sygnia LISP platform is launched, offering retail investors a full suite of savings products.

Sygnia broadens its unit trust offering with the addition of the first passively managed range of balanced unit trusts in South Africa - the Sygnia Skeleton Balanced funds.

2014

Sygnia Securities is launched to support the company's index-tracking and clients' transition management activities.

2015

Sygnia Limited lists on the Johannesburg Stock Exchange.

2016

Sygnia acquires the Gallet employee benefits group to fast-track its entry into the umbrella retirement funds market and launches the Sygnia Umbrella Retirement Fund.

The Sygnia RoboAdvisor is launched as the first comprehensive internet-based financial planning tool in South Africa.

2017

Sygnia acquires db X-trackers from Deutsche Bank and renames it Sygnia Itrix, making Sygnia the largest provider of international exchange traded funds in South Africa.

2018

Sygnia lists on the A2X exchange.

2019

Sygnia expands internationally and opens an office in London.

2020

Sygnia reinforces its lead in thematic investing in South Africa with the launch of the Sygnia Oxford Sciences Innovation Fund and the Sygnia Health Innovation Global Equity Fund.

Our purpose and values

Our purpose is: **To turn ordinary savers into extraordinary investors.** To successfully pursue our purpose, we live our values that guide our actions, unite our people, and define our brand.

We help our clients prosper: We build products to help our clients save and invest successfully, knowing that the decisions we make have real-life consequences.

We believe in low fees: No hiding, no spin, and no waiting until we are asked. We are open about the fees we charge and proud that we can offer the best products and performance for much less.

We listen to our clients: Every day the world teaches us to stay humble and to put our clients first. They give us some of our best ideas.

We listen to each other: We work well together, stay positive in the face of obstacles, and support each other.

We try to simplify complexity: Simplicity is the ultimate sophistication.

And we stand up for what's right: Because when it comes down to the choice between doing well and doing good - we know there is only one path.

Our operation

The Sygnia operation is divided into three pillars that work closely together, sharing skills and best practices in the best interests of clients, and to optimally deliver on the Group's strategic objectives:

- A client servicing pillar comprising three units responsible for servicing institutional clients, employee benefits clients, and retail clients.
- An investment pillar that manages the funds we offer our diverse range of clients.
- A business support pillar comprising information technology, human resources, finance, legal and compliance, risk management, and marketing.

The Group's management team has a wealth of experience in the fields of asset management and retirement fund consulting and has a deep understanding of the institutional and retail markets in South Africa. It also has a successful track record of organically building entrepreneurial businesses and creating shareholder value.

Client service

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

In the world of technology evolution, Sygnia is ahead of its peers in the financial services industry by offering its clients daily access to information on their investment strategies and performance. The leading-edge internet-based Sygnia Platinum Light system and Sygnia Alchemy are essential components in

the provision of these services. Both systems include an array of functionality that enables clients to evaluate their investments online and helps them to make informed investment decisions.

Considerable attention has also gone into SURF functionality that allows members to proactively access information about their occupational retirement savings instead of being dependent on periodic benefit statements.

Sygnia's report-back presentations and monthly investment publications, and its simple and clear macroeconomic analysis, have become a very popular source of information for many clients. Throughout the pandemic we have stayed connected to our clients through virtual channels as most of them have adapted to working remotely. That has paved the way for us to reach far more clients and since April 2020 we have hosted 57 webinars with a total of 18,756 viewers.

Strategic intent

Sygnia remains one of the most innovative financial services group in South Africa. A combination of low fees, top investment performance, original products and exponentially evolving and leading-edge technology has seen Sygnia continue to grow its assets under management and administration ("AUMA") despite highly volatile market conditions.

	AUMA
1 October 2020	R251.8bn
Net flows	R5.4bn
Investment performance	R39.2bn
30 September 2021	R296.4bn

The Group focuses on disruptive business strategies, vertical integration of all operations to ensure it can control its pricing strategies, and innovation rather than imitation.

“Sygnia has a strong culture of innovation and entrepreneurship, which over the past 15 years has led to exponential growth in the services it offers and the clients it attracts.”

This same culture will drive the Group's continued focus on growing its footprint in South Africa. The Group's flexibility in customising solutions for investors has positioned it to benefit from the many regulatory changes introduced in recent years, as well as from a growing awareness among investors of how high fees affect their investment outcomes.

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

International expansion

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

Institutional business



Andrew Steyn
Head: Institutional Business

Sygnia's institutional business continues to grow pleasingly with assets under management ("AUM") and administration ("AUA") closing the year at R244.3 billion (including SURF) from R214.7 billion as at 30 September 2020. While new AUM of R4.8 billion contributed to that growth, it was offset by R9.4 billion of net outflows from our lower-margin AUA customer base which is mostly ascribed to lower contributions and higher benefit payments across retirement funds because of a low economic growth environment and the impact of the Covid-19 pandemic on their sponsoring employers.

Institutional capabilities

The institutional business provides the following services to more than 1,000 retirement funds, participating employers in several umbrella funds, and medical schemes, predominantly in South Africa but with some clients in the United States and the United Kingdom:

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

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

Customised multi-management: Sygnia provides institutional clients with the option of designing their own investment strategies according to the risk profile of their membership. Sygnia assists in the design of such strategies and implements, manages and administers the strategies as if they were stand-alone multi-manager funds.

Treasury services: Sygnia's dedicated foreign exchange dealing desk enables us to eliminate the high costs associated with foreign exchange transactions within our own range of funds and has application across the Group's large investment administration client-base.

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

Investment administration: Stand-alone investment administration services include multi-tier unitisation services, monthly administration reporting, consolidated financial accounting information, regulatory and mandate compliance reporting, performance and risk reporting, and asset-liability modelling.

Institutional funds

Sygnia is recognised as a leading multi-manager and provider of passive funds in South Africa, and its consistent superior long-term performance across its below flagship fund ranges ensures the continued support of large employee benefits consulting firms and other established distribution channels.

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

While investment opportunities among stand-alone retirement funds are generally fewer due to the ongoing trend of employers of all sizes choosing to participate in umbrella funds, the Sygnia Signature and lower-cost Skeleton fund ranges are ideal to meet the default investment strategies of retirement funds that have not migrated to an umbrella fund. The 2019 Default Regulations governing retirement funds require all retirement funds to consider passive investment options in their design and review of member default investment strategies, as well as ensuring that those strategies offer value for money.

Investment administration opportunities

Sygnia's investment administration services set it apart from its competitors in the financial services industry due to its unique technology, which enables the Group to offer excellent value-for-money administration of complex multi-manager strategies. The Group is well placed to take advantage of the growing demand for platform services among large institutional investors, including parastatals, municipalities and umbrella funds.

Despite being a low-margin administration business, this gives Sygnia an opportunity to expose large retirement funds to its other services. Our scrip lending and foreign exchange transacting services, in particular, have application across the Group's large investment administration client-base.

Employee Benefits



Duane Naicker
Head: Sygnia Umbrella
Retirement Funds

The Sygnia employee-benefits pillar offers liability administration and consulting services to standalone retirement funds, as well as sponsoring the Sygnia Umbrella Retirement Fund (“SURF”), which is offered to employer groups.

SURF offers employers access to both pension and provident umbrella funds, with in-fund preservation and annuitisation underpinned by its institutional investment funds and using best-in-class service providers. From its launch in 2016, SURF challenged market convention by offering participation in the fund at a single, all-in fee with no additional administration fees, making it the most cost-effective umbrella fund proposition in South Africa at a time when costs have come under an increasing level of customer and regulatory scrutiny.

“SURF’s lowest cost proposition coupled with superior investment returns makes for the most optimal retirement outcomes in the industry.”

SURF continues to enjoy good support from independent employee benefit intermediaries and is the 6th largest commercial umbrella fund in South Africa by assets under management. With more than 600 employers participating in the fund compared to 496 as at 30 September 2020, SURF now manages almost R11 billion in assets (accounting for committed assets awaiting regulatory transfer approval) on behalf of its 42,461 members compared to a membership of 39,149 a year ago.

Notable milestone surpassed **R10 billion AUM**

Industry consolidation

The growth opportunity for SURF is significant as consolidation among stand-alone funds continues, induced by an increasing regulatory burden placed on boards of trustees in a concerted effort by the National Treasury to reduce the number of stand-alone retirement funds to fewer than 200. At the same time, the enhanced industry cost disclosure requirements serve as a boost to SURF, with its low-cost and transparent pricing model, as does its specialist design which resolves some of the structural conflicts of interests inherent in many one-stop-shop offerings. Apart from the continuing trend of stand-alone

funds moving into umbrella fund arrangements, many employers regularly review their existing umbrella fund participation, which means that there is a vibrant secondary market within the umbrella fund industry.

Market-leading reporting

Having partnered with a leading business intelligence provider, SURF launched an industry-leading monthly administration report during the year. Aside from comprehensive administrative information, the report now offers insightful analytics to help participating employers and intermediaries refine employee benefits strategies. During the year, SURF started to score the data integrity of each employers' monthly data submissions. The quality of data affects virtually every interaction with members. More accurate data means quicker benefit payments and improved member engagement, generally. The integrity of data submitted by participating employers has improved significantly now that employers are being scored.

Satisfied supporters

Our 2021 intermediary satisfaction survey assessed the design, service, and overall value proposition of SURF and confirmed that it continues to hold great appeal among employee benefit consultants. The Net Promoter Score flowing from the survey, which is a measure of client loyalty, was determined to be 67 from a range of minus 100 to 100, which falls into the band of excellence.

Legislative changes

The retirement funds industry has seen an incredible amount of new legislation passed and proposed in the last decade, and the last twelve months were no different. We successfully modified our liability administration system and processes to accommodate the harmonization of retirement funds on 1 March 2021, also known as T-day.

Policymakers, regulators and the industry at large are currently discussing legislative changes that could fundamentally alter how retirement funds are administered and how investments are managed in the future, and we continue to adopt a pre-emptive approach to responding to any and all changes. These include the proposed amendment to Regulation 28 of the Pension Fund Act to promote voluntary investments into infrastructure to boost economic activity and development (while excluding investments in cryptocurrencies).

National Treasury has also proposed a “two-bucket system”, aimed at promoting the preservation of retirement savings while also providing members with emergency access to their retirement savings. This would mean that retirement contributions would be made up of “two-buckets”: one bucket (possibly around two-thirds of a member’s retirement savings) will not be accessible until retirement date and the balance may be accessed under certain conditions. In the Medium-Term Budget Policy Statement delivered by the Minister of Finance during November 2021, it was announced that National Treasury would soon publish a discussion document on the details of this proposal before further announcements are made in the 2022 Budget.

Retail business



Trisha Jorge
Head: Retail Business

The Sygnia Linked Investor Service Provider ("LISP") retail platform is fast growing with 35,494 investors using the platform as at 30 September 2021, compared to 24,092 at the end of the previous financial year. A wide range of Sygnia managed unit trusts and its Itrix range of exchange traded funds (see table below) are available to those investors either directly or through a comprehensive range of savings products (retirement annuities, living annuities, preservation funds, investment policies, and tax-free savings accounts).

The Sygnia LISP platform also offers retail investors access to a comprehensive range of third-party unit trusts, exchange traded funds and exchange traded notes managed by external asset managers. Similarly, many of the Sygnia- managed funds are available on other LISPs.

Retail assets under management and administration (by client type) increased by 40.4% over the 12 months under review, from R37.1 billion to R52.1 billion as at 30 September 2021, propelled by record net inflows of R10.0 billion in spite of a

subdued broader South African household savings industry.

Looking ahead

The Sygnia retail business enjoys the support of a large group of independent financial advisors due to the superior investment performance and cost-effectiveness of its range of conventional and innovative thematic funds. Sygnia's penetration of the independent financial advisory market continues to grow from year to year, as does its direct market

“We are committed to supporting Independent Financial Advisors so that they can spend more time helping their clients and growing their own firms.”

share due to a growing brand recognition, and the opportunity for significant further growth remains.

The Sygnia LISP platform remains a strategic priority through which it intends to leverage its retail offering. Despite being well advanced, our re-platforming project has suffered numerous delays on the part of one of the world's leading platform technology providers. We nevertheless expect to launch the new Sygnia Online platform in the second quarter of 2022, which will give rise to cost savings, scalability opportunities, and an enhanced investor experience.

Multi-manager funds	Passively managed funds	Index-tracking funds	Single manager funds
Sygnia CPI +2% ●	Sygnia Skeleton Balanced 40 ●	Sygnia SWIX Index ▲	Sygnia 4th Industrial Revolution Global Equity ▲
Sygnia CPI +4% ●	Sygnia Skeleton Balanced 60 ●	Sygnia Top 40 Index ▲	Sygnia FAANG Plus Equity ▲
Sygnia CPI +6% ■	Sygnia Skeleton Balanced 70 ■	Sygnia Listed Property Index ▲	Sygnia Health Innovation Global Equity ▲
Sygnia Enhanced Income ◆	Sygnia Skeleton Worldwide Flexible ■	Sygnia DIVI Index ▲	Sygnia Enhanced All Bond ◆
Sygnia International Flexible Fund of Funds ■	Sygnia Skeleton International Equity Fund of Funds ▲	Sygnia All Bond Index ◆	Sygnia Money Market ●
Sygnia Equity ▲			
Exchange traded funds			
Sygnia Itrix 4th Industrial Revolution Global Equity ▲	Sygnia Itrix Euro Stoxx 50 ▲	Sygnia Itrix FTSE 100 ▲	Sygnia Itrix Global Property ▲
Sygnia Itrix MSCI Emerging Markets 50 ▲	Sygnia Itrix MSCI Japan Index ▲	Sygnia Itrix MSCI USA Index ▲	Sygnia Itrix MSCI World Index ▲
Sygnia Itrix S&P Global 1200 ESG ▲	Sygnia Itrix Solactive Healthcare 150 ▲	Sygnia Itrix S&P 500 ▲	Sygnia Itrix SWIX 40 ▲
Sygnia Itrix Top 40 ▲			

Risk profile: ▲ High risk ■ Medium to high risk ● Medium risk ◆ Low to medium risk ● Low risk

Investments



Kyle Hulett & Iain Anderson
Co-heads: Investments

The ultimate objective of Sygnia's investment process is to grow clients' assets in a stable and consistent manner over time. We believe that achieving this with lower short-term volatility and lower downside risk will, all else being equal, be a better experience for investors than experiencing greater volatility and more significant drawdowns, even if the ultimate long-term returns are similar. Investment in a well-constructed and managed portfolio allows investors to access returns in a risk-controlled manner.

We believe that in an emerging market such as South Africa, asset class and sector allocations are the main determinants of both risk and the ultimate returns of a portfolio. Consequently, Sygnia employs rigorous quantitative analysis processes to determine the optimised allocation of both to ensure that the client's risk and return profile is consistent with their expectations and their liability profile.

Furthermore, we believe in adding index-tracking funds, listed property funds, and inflation-linked bonds to improve the overall risk and return characteristics of the investment strategies.

Extensive quantitative research into the performance behaviour of different asset classes and sectors over time, both local and international, inform the strategic asset allocation targets and bands we employ as the foundation for a range of different investment strategies, including benchmark-relative and absolute return-oriented strategies.

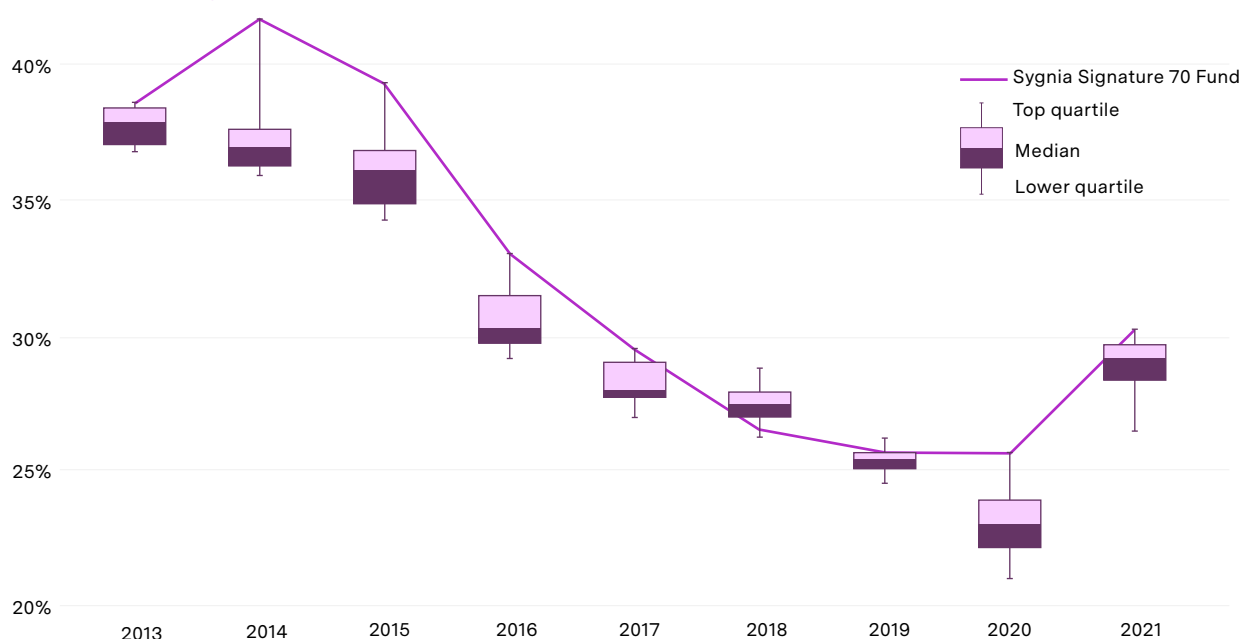
In addition, we believe that tactical asset allocation, within strict limits, adds significant value in periods of heightened volatility, when downside risk protection can generate exceptional returns.

Performance

Our institutional flagship Signature multi-manager and passively managed Skeleton fund ranges outperformed their benchmarks over all timeframes and risk profiles. Compared to peers, the Sygnia Signature range ranked at the top of the Alexander Forbes Multi-Manager Watch™ Survey across all risk profiles over seven and ten years to 30 September 2021, and the Sygnia Skeleton range performed in line with the Signature range after fees. Over the ten years to 30 September 2021, the Sygnia Signature 70 fund has outperformed all actively managed portfolios in the Alexander Forbes Global Large Manager Watch™ Survey.

Our wide range of domestic and global funds, specialist index-tracking funds, and our risk-profiled Sygnia Skeleton Balanced unit trusts, continue to produce outstanding peer comparable performance in the retail market since the funds' respective inception dates (Source: Morningstar).

3 Year Rolling Return to 30 September 2021



Source: Alexander Forbes Multi-Manager™ (high-equity and best investment view) Survey.

Fund	Ranking	Category
Sygnia Skeleton Balanced 40	2 nd out of 73 unit trusts	South African – Multi-Asset – Low Equity
Sygnia Skeleton Balanced 60	1 st out of 54 unit trusts	South African – Multi-Asset – Medium Equity
Sygnia Skeleton Balanced 70	8 th out of 82 unit trusts	South African – Multi-Asset – High Equity
Sygnia International Flexible Fund of Funds	3 rd out of 22 unit trusts	Global – Multi Asset – Flexible
Sygnia 4th Industrial Revolution Global Equity	2 nd out of 43 unit trusts	Global – Equity – General
Sygnia FAANG Plus Equity	3 rd out of 53 unit trusts	Global – Equity – General
Sygnia CPI + 2%	4 th out of 63 unit trusts	South African - Multi-Asset - Low Equity
Sygnia CPI + 4%	1 st out of 40 unit trusts	South African – Multi-Asset – Medium Equity
Sygnia CPI + 6%	3 rd out of 71 unit trusts	South African – Multi-Asset – High Equity

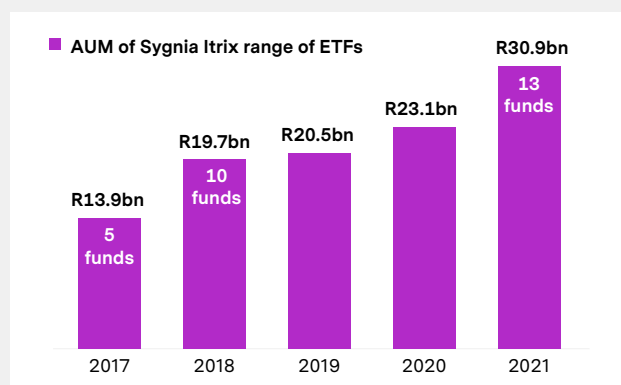
Source: Morningstar

Product innovation

Since inception, Sygnia has been positioned as an innovative financial services group, always looking for new opportunities to create value for its investors. Sygnia is the only South African exchange traded fund (“ETF”) manager that directly invests into global markets from South Africa. Over the past 12 months we expanded on the markets and themes we invest in directly to include emerging markets, China and ESG.

As one of only two companies in South Africa to hold a Chinese QFII license, which allows us to invest on Mainland Chinese stock exchanges and access securities otherwise unavailable, we were able to launch our S&P 1200 ESG ETF and an MSCI Emerging Markets 50 ETF during the year. That, together with the launch of our Solactive Healthcare 150 ETF, cements Sygnia’s position as the second- largest provider of ETFs listed on the JSE, as well as being the largest South African provider of international ETFs.

At least two more ETFs - Sustainable Technologies and New China Sectors - will be launched in due course taking the Sygnia Itrix range to 15 funds.



Index tracking

Sygnia has a 15-year performance track record managing specialist index-tracking funds and has the longest South African track record managing risk-profiled multi-asset-class and international index-tracking funds. The Group will continue to offer superior service to harness the growing demand among institutional and retail investors for low-cost passive investment solutions.

Demand for local and international index-tracking strategies is expected to grow exponentially in South Africa, especially because of the Default Regulation that obliges boards of trustees of retirement funds to consider passive strategies, and the ASISA Standards in respect of the disclosure of total expense ratios and transaction costs, which came into effect for retail investors in 2016 and for institutional investors in 2019.

As our range of funds have grown, so has our investment team. We employ specialists in equities, fixed interest, foreign exchange, and money markets to manage the complexity of our funds that trade across the globe on an almost continual basis, on multiple exchanges.

Trading

Sygnia Securities is an exclusive independent stockbroker whose primary business is execution-only transactions on the JSE in support of Sygnia’s index-tracking funds and transition management services.

The addition of securities lending and foreign exchange transacting services introduced three years ago are well employed within the Sygnia institutional product mix and have potential application across the Group’s large investment administration client-base.

Our stakeholders

Sygnia views clear and transparent engagement with all its stakeholders as vital to building sustainable and constructive long-term relationships. In preparing the 2021 Integrated Report, Sygnia aimed to identify and report on all matters that are material to its stakeholders, where materiality is defined as any matter that can affect short-, medium- and long-term value creation by the Group.

Our shareholders	Our regulators
We are accountable to our shareholders in delivering on the Group's strategic goals, and they, in turn, support the long-term growth of our business by investing in the Group. Expectations ▪ A compelling business model and clear growth path ▪ A sustainable business over the long-term ▪ Sound corporate governance, compliance, and risk management ▪ Good corporate citizenship Stakeholder engagement ▪ Individual and group meetings with institutional investors ▪ Annual general meeting ▪ SENS announcements ▪ Shareholders' section on the website ▪ Annual financial statement and Integrated Report ▪ Clear and transparent policies and procedures, including those relating to environmental, social and corporate governance ("ESG"), corporate social initiatives, ethics and transformation	Our regulators include the Financial Sector Conduct Authority, the Prudential Authority, the South African Revenue Service, the Financial Intelligence Centre, the Johannesburg Stock Exchange, A2X, the South African Reserve Bank and the UK Financial Conduct Authority. Expectations ▪ Regulatory compliance ▪ Transparency ▪ Active engagement on an ongoing basis ▪ Acting in client's best interests ▪ Provision of commentary on proposed regulatory changes Stakeholder engagement ▪ On-site visits by the regulators ▪ Ongoing reporting to the regulators ▪ Ad hoc discussions and engagement based on an open and transparent relationship with the regulators ▪ Participation in industry bodies, including ASISA, SAICA and ASSA ▪ Provision of commentary on draft legislation
Our clients	Our people
We help our institutional and retail clients to achieve their investment goals with access to a wide-range of savings and investment products. Our clients also include a variety of intermediaries who are critical to the distribution of our products. Expectations ▪ Provision of appropriate investment and savings products to meet evolving needs ▪ Access to an appropriate range of funds ▪ Client service excellence and administrative accuracy ▪ Regular and clear communication ▪ Reasonability of costs ▪ Security of assets ▪ Adoption of the principles of Treating Customers Fairly framework Stakeholder engagement ▪ Dedicated client service team of investment and employee benefit professionals, and client relationship managers ▪ Regular client meetings and operational due diligence exercises ▪ Quarterly report-back presentations to institutional clients ▪ Monthly administration and investment reports, and fund fact sheets ▪ Quarterly regulatory reporting ▪ Access to daily investment and performance data via the Sygnia Platinum Light portal for institutional investors and the Sygnia Alchemy portal for retail investors ▪ Access to www.sygnia.co.za for comprehensive product descriptions and monthly performance reporting ▪ Formal client complaints procedure ▪ Monthly economic and market commentary ▪ Access to free investment planning advice via the Sygnia RoboAdvisor digital financial planning tool	Our people are central to the ongoing success of the Group and to delivering service of the highest quality to our clients. In return, we offer them challenging and rewarding careers at Sygnia. Expectations ▪ Market-related remuneration ▪ Performance recognition ▪ Ongoing development and training ▪ Career progression ▪ Job security ▪ Alignment of values and ethical and social standards Stakeholder engagement ▪ Market-related remuneration including performance-based bonuses ▪ Share option schemes for key staff members ▪ Ongoing internal and external training and development ▪ Financial support for approved study courses and regulatory exams ▪ Performance management scorecards and appraisals ▪ Team-building activities, company functions and other sponsored events ▪ Business updates from chief executive officer ▪ Clearly articulated codes of conduct, ethical standards and governance and risk policies ▪ Work from home arrangements during pandemic

Corporate governance

Sygnia subscribes to ethical leadership, business sustainability, stakeholder inclusivity and the sound values of good corporate governance, integrity and ethical behaviour.

Our board of directors

Executive directors



Magdalena Wierzycka
Chairperson
Appointed: 17 September 2007

Magda is a Fellow of the Faculty of Actuaries and has served on the council of the Actuarial Society of South Africa. She has over 25 years' experience in asset management and is widely published in the field. Magda joined Southern Life in 1993, followed by two years at Alexander Forbes as an investment consultant. In 1997, she joined Coronation Fund Managers as Head of Institutional Business before leaving in 2003 to start a fund-of-hedge-funds business which was later sold to the African Harvest group, where she was appointed its CEO.

After the sale of African Harvest Fund Managers in 2006, she led the management buy-out of the remainder of the group, leading to the formation of Sygnia which she headed as its CEO until her appointment as the Group chairperson on 7 June 2021. She is also a founding partner of Braavos Investment Advisers LLP in the UK and a senior adviser to the board of Atlas Merchant Capital LLC (UK and USA).



David Hufton
Chief Executive Officer
Appointed: 01 September 2018

David is a Fellow of the Actuarial Society of South Africa and a Fellow of the Institute of Actuaries. He worked at Alexander Forbes for 25 years, holding various leadership positions and served on its Financial Services Executive Committee for many years. In his final role as the National Head of Consulting, he had oversight of the Consultants & Actuaries, Umbrella Funds, Asset Consulting, Insurance Consulting and Healthcare divisions. David has vast experience as an employee benefits consultant and valuator to large retirement funds.

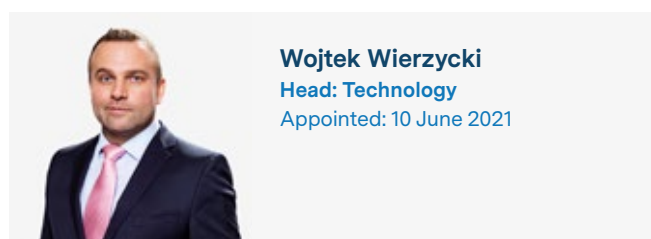
David joined Sygnia in early 2016 as Head of Strategic Projects and managed the launch of the Sygnia Umbrella Retirement Fund and certain business acquisitions. He was appointed Deputy CEO in July 2019 and joint CEO in April 2020. On 1 June 2021 he assumed the role of sole CEO of the Group.



Murad Sirkot
Financial Director
Appointed: 16 January 2019
Member: Social and Ethics Committee

Murad qualified as a Chartered Accountant and holds a Bachelor of Commerce degree from the University of Cape Town. He completed his training with Ernst & Young Cape Town, and worked as an account executive in their London office and an audit manager in their Cape Town financial services division.

Before joining Sygnia as its Financial Director in 2019, Murad worked at Ninety One as Head of Fund Accounting and Risk from 2006 to 2010 when he was appointed Head of Finance for Southern Africa. In June 2013, he was appointed Global Head of Financial Reporting, leading finance teams in Cape Town, London and Hong Kong. Murad has also served on sub-committees of the Association of Savings and Investment in South Africa.



Wojtek Wierzycki
Head: Technology
Appointed: 10 June 2021

Wojtek is a certified systems and network engineer and worked as an enterprise infrastructure architect in the UK public and private sectors. Wojtek joined ITNET in 1999 as a senior architect on several customer accounts, including Transport for London, and The Law Society and National Air Traffic Services. In 2002, Wojtek transitioned to the Computer Sciences Corporation and then to LogicaCMG as part of their Technical Architectures Group. In 2007 he joined the Technical Design Authority for the CLM consortium responsible for delivering the London 2012 Olympic Games, later joining the Olympic Delivery Authority as a Capability Manager.

Wojtek returned to South Africa in 2013 and joined the Sygnia Group as Head: Technology.

Independent non-executive directors



George Cavaleros

Lead Independent

Appointed: 28 June 2019

Chair: Audit and Risk Committee

Member: Remuneration Committee

George was a Partner at Deloitte until his retirement on 31 May 2015 after a career spanning 30 years. George is a Chartered Accountant, holds a Master of Commerce in Applied Risk Management (MCom, cum laude) and is a CFA charterholder. George currently serves as an independent non-executive director on the board of a diversified chemicals group, Omnia Holdings Limited.



Haroon Bhorat

Appointed: 11 June 2015

Chair: Remuneration Committee

Member: Social and Ethics Committee

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



Mcebisi Jonas

Appointed: 01 September 2018

Chair: Social and Ethics Committee

Mcebisi is the board chairman of the MTN Group. He is also a non-executive board member at Northam Platinum, BKB and Country Consultative Board (CCB) for the World Bank. Mcebisi is currently one of seven Presidential Investment Envoys appointed by President Cyril Ramaphosa to attract USD100 billion to South Africa. Mcebisi served as Deputy Minister of Finance from 2014 to 2016 and as a Member of the National Assembly of South Africa from 2014 to 2017.



Clarissa Appana

Appointed: 08 September 2020

Member: Audit and Risk Committee

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



Jurgen Boyd

Appointed: 29 July 2021

Member: Audit and Risk Committee

Member: Remuneration Committee

Jurgen joined the Financial Sector Conduct Authority in November 2000 and retired as Divisional Executive for Market Integrity Supervision at the end of March 2021. He previously held roles in the private sector as an accountant, auditor, financial manager, business consultant and financial director. At the FSCA he was responsible for conduct oversight of market infrastructures, over-the counter derivatives providers and rating agencies.

“Having served as chairman of the board since listing, it has been an honour and a pleasure to support management in growing Sygnia - which has consistently attracted assets under management and administration through innovative, disruptive and consumer-friendly products and services.”

Haroon Bhorat

Role of the board

Sygnia has a rigorous corporate governance framework in place, headed by its unitary board of directors (“the board”) and a number of board committees, all of which are supported by the appointment of independent assurance providers. Responsibility for the maintenance of the corporate governance framework rests with the board, supported by the Group’s risk, legal and compliance, and company secretarial departments, as well as advice provided by external risk, legal, regulatory and compliance experts.

The board acts as the focal point for, and custodian of, corporate governance by managing its relationship with management, shareholders and other stakeholders of the Group along sound corporate governance principles. The board ensures that the Group is, and is seen to be, a responsible corporate citizen by having regard to not only the financial aspects of the business of the Group but also the impact that business operations have on the environment and the societies within which it operates. It provides strategic input to management and approves the implementation of strategic plans to create sustainable value for all stakeholders. In creating such value the board is, at all times, governed by the need for ethical conduct, business sustainability, strong corporate governance and rigorous risk management. The board has full and effective control of the Group, which is exercised through senior management and the subsidiary boards.

The roles of the chairperson and the chief executive officer have been separated. An approved board charter regulates the directors’ obligations in respect of the Group, which ensures that no one director has unfettered power of decision making.

The board meets a minimum of four times a year to review and discuss the performance of the Group, any strategic issues and other matters regarded as material. Material decisions may also be taken between meetings through written resolutions, as provided for in the Memorandum of Incorporation. The board has approved the strategic direction of the Group for 2022.

Board composition

As at 30 September 2021, the board of nine directors comprised an executive chairperson, three executive directors, a lead independent non-executive director, and four independent non-executive directors. The independence of non-executive directors is assessed by the board on a regular basis.

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

Ms Magda Wierzycka was appointed executive chairperson on 7 June 2021, with Professor Haroon Borat assuming an independent non-executive role. Mr David Hufton assumed the role of sole CEO effective 1 June 2021.

During the year, the board welcomed Mr Wojtek Wierzycki as a new executive director and Mr Jurgen Boyd as a new independent non-executive director. Ms Ropfiwa Sithubi and Messrs Andre Crawford-Brunt and Herschel Mayers resigned as non-executive directors.

To ensure the promotion of gender and race diversity, the board’s long-term aim is to ensure that at least 50% of the board of Sygnia is made up of black people, and at least one-third of the directors are women. As at 30 September 2021, 55.6% of the current board members are black and 22.2% are women, one of whom is the chairperson. The board continues its efforts to improve its gender and race diversity.

Company Secretary

The board selects and appoints the company secretary in recognition of the importance of this role in entrenching good corporate governance. All directors have unlimited access to the services of the company secretary, who, in turn, has access to appropriate resources in the provision of this support, such as obtaining independent professional advice on any issues that may arise.

Mr Glen MacLachlan serves as company secretary, appointed by the board in accordance with the Companies Act and the JSE Listings Requirements. The board is satisfied as to his competence, qualifications and experience. There is an “arm’s length relationship” between the board and the company secretary so that the objectivity and independence of the company secretary is not unduly influenced.

Conflicts of interest

Actual or potential conflicts of interest are inherent in the financial services industry. It is therefore essential that the Group be able to identify such conflicts and manage them fairly and appropriately. While not all potential conflicts of interest will manifest in actual conflicts, the very perception of bias can lead to a negative impression in the industry and result in reputational damage. Sygnia’s Conflicts of Interest Policy is adopted by the board and applied throughout the Group. The policy provides guidance and mechanisms for the identification of conflicts of interest and to provide measures for the avoidance, disclosure, mitigation and/or management of such conflicts. The policy also regulates the relationship between the Sygnia Group and its employees, directors, relationship with clients, suppliers, service providers and intermediaries.

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

Performance

The board is responsible for the appraisal of its own performance, the performance of its committees and that of the chief executive officer. A formal board evaluation was performed in March 2021 and confirmed that the board, its committees, and the chief executive officer are appropriate and effective.

Board committees

The board has set up the following committees to assist in the process of monitoring the implementation of strategies and policies adopted by the board:

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

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

Meetings and attendance

The attendance and composition of directors at board and committee meetings during the 2021 financial year is detailed below.

Board Member	Board	Audit and Risk Committee	Remuneration Committee	Social and Ethics Committee
Magda Wierzycka	4 / 4		1 / 1	
David Hufton	4 / 4	Invitee	Invitee	Invitee
Murad Sirkot	4 / 4	Invitee	1 / 1	3 / 3
Wojtek Wierzycki #	1 / 1			
George Cavaleros	4 / 4	4 / 4	1 / 1	
Haroon Bhorat	4 / 4		3 / 3	3 / 3
Mcebisi Jonas	4 / 4			2 / 3
Clarissa Appana	4 / 4	4 / 4		
Jurgen Boyd #	1 / 1	1 / 1	1 / 1	
Ropfiwa Sithubi *	1 / 1	1 / 1		1 / 1
Andre Crawford-Brunt *	1 / 1			
Herschel Mayers *	2 / 2	2 / 2	2 / 2	

Appointed during the year. * Resigned during the year.

Audit and Risk committee

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

The ARC has decision-making authority in regard to its statutory duties and is accountable in this respect to both the board and the shareholders. The ARC is required to assist the board in discharging its responsibilities as they relate to the safeguarding of assets, the operation of adequate and effective systems, controls and risk processes. These responsibilities also extend to the preparation by the executives of fairly presented financial statements and integrated reports in compliance with all applicable legal and regulatory requirements and accounting standards.

The ARC assumes oversight responsibility for the governance of technology and information by recommending the policy on the employment of technology and information, based on the approved board strategy, to the board for approval. The ARC is also responsible for ensuring that information and technology insofar as they relate to financial reporting and the going concern status of the Group are adequately managed. This includes ensuring adequate arrangements exist to provide for business resilience, including proactive

monitoring of intelligence to identify and respond to incidents, including cyber-attacks and adverse social media events. This responsibility also extends to exercising ongoing oversight of the management of information, in particular, that results in the leveraging of information to sustain and enhance the Group's intellectual capital, information architecture that supports confidentiality, integrity and availability of information, the privacy and protection of personal information, and the monitoring of security of information and the security culture within the organisation.

The ARC is also responsible for oversight of the external and internal audit appointments, terminations and functions. The ARC's report can be found on page 49. Following the ARC's request for information from Mazars to assess the suitability of their appointment and that of the designated partner, the ARC recommended the appointment of Mazars as external auditors and the approval of their terms of engagement. The ARC also confirmed the reappointment of PwC as internal auditors for 2022 and approved the internal audit plan for the Group. The ARC is satisfied that the Financial Director has the appropriate expertise and experience to perform the duties required by the position. The ARC ensures that the Group has established appropriate financial reporting procedures and that those procedures are operating.

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

Risk management

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

Risk management requires expert knowledge, independent review and monitoring and frequent communication to stakeholders.

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

Management is responsible for identifying the risks that face the Group, ensuring that the controls established to manage those risks are adequate and effective, and for monitoring their application. Annual risk management workshops are held with

each key department and executive management to identify and measure risks in line with the approved risk measurement methodology (as defined in the risk management framework). Ongoing monitoring is performed by a dedicated risk manager, and ad hoc risk workshops are held if new business initiatives or ventures are undertaken by the Group. All risks are identified, ranked in order of impact and probability and then actively managed – being terminated, tolerated or managed through mitigating controls. The effectiveness of these controls is also assessed as part of the Combined Assurance Model. The results of all the workshops are presented to the ARC and to the board.

The ARC is not aware of any material issues in relation to the risk management and compliance functions that have arisen in 2021. The ARC recognises that risk management is a continuously evolving process that must adapt to the complex financial services environment.

Risk matrix

The below risk matrix summarises the major risks facing the Group, as well as the mitigating controls put in place to manage the identified risks.

Risk	Management and mitigation
Market risk The risk of clients achieving poor investment performance relative to expectations, or the risk of losses to the Group's capital investments, as a result of domestic and international financial markets' performance.	- Management by the Investment Committee. - Well-established investment process and philosophy. - For multi-managed funds, expert asset managers are selected, who apply their own processes to manage risk. - For passive funds, tracking error is closely monitored and managed. - The Group's statutory capital is only invested in cash and fixed interest securities.
Regulatory and legislative risk The risk of non-compliance with existing and/or new legislation and/or regulation having an adverse impact on the business of the Group.	- A dedicated legal and compliance team monitors compliance with financial sector regulation and assesses the impact of any legislative and regulatory changes. - Business unit heads and senior managers ensure compliance with non-financial sector regulation and assesses the impact of any legislative and regulatory changes. - Membership of appropriate industry bodies. - Ongoing engagement with the regulators. - Regular training of management and staff about new legislation. - Internal Audit Function and Head of Actuarial Function oversight.
Operational risk The risk of errors or fraud arising as a result of breakdowns in internal control functions in respect of internal processes, systems, people or external factors.	- Sygnia has automated processes that are subject to ongoing systems development. - Defined incident management process in place. - Monthly Risk Events and Compliance Committee assesses the internal controls environment, identifying areas for improvement. - Risk workshops held at departmental level are used to identify, assess and manage operational risks. Treatment plans to improve the control environment are monitored. - Internal Audit Function and Head of Actuarial Function oversight. - ISAE3402 Type II reviews. - The combined assurance model ensures ongoing assessment of the design and operating effectiveness of the control environment. - Insurance cover in excess of independently recommended or regulated amounts. - Own Risk and Solvency Assessment performed annually. - Staff whistleblowing process in place.

Risk	Management and mitigation
Loss of client risk The risk that poor client service or investment performance may result in client losses, uncompetitive pricing and reputational concerns.	▪ Adhering to the six outcomes of the Treating Customers Fairly framework. ▪ Dedicated retail and institutional client-service teams to deal with client-service-related issues and to manage relationships on a proactive basis. ▪ Investments managed by an investment committee of experienced investment professionals who follow a structured and well-established process and philosophy. ▪ Performance and fees assessed relative to benchmark and peers. ▪ Frequent and transparent client communication. ▪ Access to daily information is provided to clients via dedicated retail and institutional internet-based platforms. ▪ Complaints procedures and escalation policies are in place. ▪ Clients at risk are continually identified and remedial action is taken.
Business development risk The risk of not growing our client base.	▪ Dedicated business development teams focused on attracting new direct clients and expanding external distribution by way of broadening and deepening relationships with third-party consulting and advisory firms. ▪ Marketing strategy focused on enhancing brand awareness to particularly support the growth of the retail business. ▪ Continuing to launch innovative and cost-effective products and services via the Research and Product Development Committee. ▪ Leveraging existing client relationships.
Reputational risk The risk that a decision, event or action could compromise or damage Sygnia's brand.	▪ Adhering to the six outcomes of the Treating Customers Fairly framework. ▪ Fit and proper policies are in place, and ongoing monitoring is performed on Key Individuals and Representatives of the Group. ▪ All staff are required to comply with the Group's personal account trading policy. ▪ All staff are required to comply with the Code of Conduct and Ethics policy. ▪ A policy is in place regarding all media engagement. This is actively monitored by dedicated staff. ▪ Complaints procedures and escalation policies are in place. ▪ Staff whistleblowing process in place. ▪ Adherence to FICA requirements.
Business continuity risk The risk that the business is unable to operate due to unforeseen events or external factors.	▪ A comprehensive business continuity plan is in place. ▪ Disaster recovery plans are tested bi-annually and are measured by external auditors as part of the ISAE3402 engagement. ▪ All operational staff are IT-mobile enabled. ▪ All client data is stored in a secure off-site location and is backed up daily. ▪ Offices in Cape Town and Johannesburg are equipped with generators.
Cybersecurity risk Ineffective management of cyber threats may significantly disrupt core operations, cause financial/data loss and reputational damage.	▪ Cyber-risk management is performed across key risk areas, i.e. people, processes and technology. This includes compliance with appropriate policies, ongoing employee awareness and employing technology to prevent and/or detect potential or actual cybersecurity threats. ▪ Vulnerability management occurs on an ongoing basis, wherein server and desktop environments are scanned for threats, and patches are deployed as needed. ▪ The internal audit function, in their capacity as independent subject matter experts, perform penetration testing. The implementation of recommendations is closely monitored by the IT Steering and Audit and Risk Committees.
Human resource risk The risk of key staff leaving, which could negatively affect the business.	▪ Sygnia's remuneration policy is designed to attract and retain skilled and experienced staff. ▪ Salary benchmarking exercise ensures employees are paid market-related salaries. ▪ Financial retention schemes are in place. ▪ Key staff and management own approximately 64% of the Group. ▪ The Group has a succession plan in place. ▪ Ongoing skills development.

Assurance

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

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

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

In particular, an independent internal audit function provides appropriate independent assurance to the ARC on the integrity and robustness of the risk management processes. The internal audit follows a risk-based approach to audit planning and execution. Annual risk-based internal audit plans are developed and presented for approval to the ARC.

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

Compliance

Sygnia is committed to comply with both the letter and the spirit of all applicable laws. The board of directors has approved the establishment of an effective compliance function as part of the Group's compliance strategy.

Although the board accepts ultimate responsibility for compliance within Sygnia, the mandate for the effective oversight of financial regulatory compliance is delegated to the ARC. The Head of Legal and Compliance, with the support of the Compliance team, is responsible for monitoring and assisting with the effective implementation of financial regulation. The business unit heads are responsible for the effective implementation of non-financial regulation.

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

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

Client complaints

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

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

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

Remuneration committee

The Remuneration Committee ("Committee") is chaired by a non-executive director and consists of two other non-executive directors at 30 September 2021. The Committee meets twice a year, as well as on an ad hoc basis if required.

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

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

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

Remuneration Policy

Introduction

The Sygnia Remuneration Policy ("the Policy") targets the attraction, retention and appropriate rewarding of employees at all levels of the organisation, and has been designed in line with the recommendations of King IV.

Responsibility and approval

The Policy is designed, reviewed and monitored by the Committee and is approved by the board of directors.

The Committee reviews the Policy at least annually, or more frequently if required, and reports on its appropriateness to the board. The Committee is responsible for ensuring that the Policy is implemented by management and for the publication of the required implementation report in the Group's annual integrated report.

Non-binding vote on remuneration

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

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

- An engagement process under the direction of the Committee's chair, to ascertain the reasons for the dissenting votes.
- An appropriate response to legitimate and reasonable objections and concerns raised, which may include amending the Policy or clarifying or adjusting remuneration governance and/or processes.

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

- With whom Sygnia engaged, and the manner and form of engagement to ascertain the reasons for dissenting votes.
- The nature of steps taken to address legitimate and reasonable objections and concerns.

At the 2021 AGM, 99.3% of the votes cast were in favour of the Remuneration Policy and 99.5% were in favour of the Implementation Report.

Considerations

In developing this Policy, the following factors have been considered:

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

Employee remuneration

The Group applies the following remuneration framework to all employees:

Fixed remuneration

Fixed remuneration consists of salaries and thirteenth cheques (for specific roles). Salaries are paid on a total cost-to-company basis incorporating basic salaries and the benefits and allowances mentioned below. Salary levels are determined with reference to similar positions in the market and further adjusted for any additional responsibilities, performance and length of service.

Reference points include independent remuneration surveys, salary of similar positions advertised, insight from recruitment agents, as well as the salary levels of new employees. Salaries are reviewed and increased, where necessary, on 1 October each year.

Benefits and allowances consist of:

- Retirement annuity: All staff can contribute to the Sygnia Retirement Annuity Fund with an option of four levels of contribution rates.
- Medical aid: The Group facilitates staff contributions to a group-determined medical aid scheme. The membership of the scheme is not compulsory, but consulting services are provided to all staff to encourage participation.
- Insured risk benefits: Staff contribute to life, disability, severe illness, and funeral cover.

Short-term incentives

Short-term incentives consist of cash bonuses which are declared in September each year and paid in the ensuing December, provided the employee remains in the employment of the Group. Cash bonuses are based on the performance of the Group and are determined for individual employees, by taking the following into account:

- The employee's performance against agreed key performance indicators ("KPI") set at the beginning of the year, or at the time of employment for those joining during the year.
- Additional tasks completed or responsibilities assumed.
- Roles and responsibilities.

Long-term incentives

Share options: The Group operates two share option schemes involving share options in Sygnia Limited, being The Sygnia Share Option Scheme ("Scheme A") and The Sygnia Share Option Scheme B ("Scheme B"). Scheme A was issued at a strike price with reference to the 30-day volume weighted average trading price; Scheme B is issued at a nil strike price. The share options are an option to purchase shares in Sygnia Limited with 20%, 30% and 50% vesting over a period of three, four and five years, respectively. The maximum cumulative number of ordinary shares that may be issued in Scheme A and Scheme B is 5 million and 10 million, respectively. Scheme A options are no longer issued, with the last of these options vesting in January 2024.

Ulundi Staff Share Scheme: The Ulundi Staff Share Scheme established in July 2013 for all black staff that had been employed for more than one year and management, was wound up towards the end of the financial year, two years earlier than its maturity date. The scheme served its purpose with all beneficiaries receiving considerable cash payments after year end, reflecting the value creation of the scheme.

Recruitment allocation

In cases where individuals joining the Group forfeit deferred remuneration or must settle a financial obligation with their previous employer, a recruitment allocation can be made to the individual. The allocation will in most cases be on the same basis as agreed with the previous employer, but this can be adjusted. All recruitment allocations are approved by the Chief Executive Officer ("CEO") or Financial Director ("FD"). Recruitment allocations for senior roles, including the CEO and FD, are approved by the Committee.

Directors' Remuneration

Non-Executive Directors

An annual fixed fee is paid to non-executive directors taking into account their experience, appointment as chairperson and membership of the board and its sub-committees. The fees are benchmarked to market surveys each year. The fees are not linked to the performance of the Group or the share price.

Executive directors

Executive directors are remunerated as employees only and not as directors of the Group. The employee remuneration framework explained above for fixed remuneration, short and long term incentives applies to executive directors as well. KPIs are agreed with the Committee and the board at the beginning of each year. Performance against these KPIs is assessed by the Committee. The Committee determines the salary increase, cash bonus and any share option allocation. Executive directors did not participate in the Ulundi Staff Share Scheme.

Malus

Malus applies to employee incentives. The malus provision aims to ensure that there is effective alignment between employee remuneration outcomes and prudent risk taking, and to ensure that excessive or inappropriate risk-taking is not rewarded by the Group.

The transgressions (trigger events) are typically those that result in a serious breach of contract or regulation. Some of these transgressions are as follows:

- Misstatement of financial results.
- Breach of regulation which could result in reputational risk or regulatory fine.
- Breach of Sygnia's policies and code of conduct.
- Executing transactions that exceed the board approved risk appetite or have not been authorised in terms of the group's Delegation of Authority.
- Misleading the Sygnia Limited board, senior management or regulatory authorities.
- Inappropriate standards of conduct.

In addition, the transgressions mentioned above may result in employee dismissal.

The Committee confirms that the policy has been implemented. Remuneration of directors and staff is disclosed in the notes to the consolidated financial statements. Information related to staff and board demographics is disclosed on page 30.

Social and Ethics Committee

The Social and Ethics Committee ("the Committee") is chaired by an independent non-executive director and includes another non-executive director and an executive director. The Committee meets formally twice a year.

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

The Committee monitors and reviews all transformation strategies designed and implemented by management. It is responsible for reviewing the annual transformation

scorecard and assesses and provides feedback to the board on transformation initiatives undertaken by management. The committee complies at all times with the prevailing regulatory framework, including transformation scorecards and the Group's strategic objectives.

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

Supporting sustainable organisations and projects, Sygnia provides bursaries to scholars and supports outreach education initiatives in under-resourced schools. We recognise that the future of South Africa rests in the hands of its youth and we are determined to empower them to become beneficiaries of a better future.

Sygnia's corporate social investment objectives aim to support:

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

By supporting the following organisations we believe we can have a positive social impact on individuals through education and help them to actively participate in the South African economy.

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

Ensuring that children have access to basic human rights

Children need their basic human needs fulfilled to thrive.



Elkana Childcare

Focusing on children in desperate need of building a sustainable future through the development of social and environmental awareness.



Homestead

The Homestead focuses on the healing, care and upliftment of street children. The organisation runs a number of different projects focusing on neglected, abused and vulnerable children who are living and begging on the streets. These projects aim to provide for the physical needs (food, shelter, safety, clothing), psycho-social needs (trauma counselling, behaviour modification, positive self-image and identity, etc.) and developmental needs (access to education, support to improve school performance, life sustaining skills), sporting and recreational activities.



Andrew Murray House

Andrew Murray House is a registered child and youth care centre (children's home) which provides residential care to 155 children (1 – 18 years old) outside the children's family environment in accordance with a residential care programme suited and developed for the children in the centre. The Children's Home is responsible for the care, support, protection and development of the children in its custody through various therapeutic and developmental programmes. This is done through mentoring and coaching of socially acceptable behaviour based on a religious, educational, physical, social and psychological process, executed by a multi-disciplinary team of experts. The children are equipped to skilfully manage the difficult tasks of life and to fulfil their duty as responsible and law-abiding citizens.

Building a sustainable future through the development of social and environmental awareness

Children should be given the tools to be the stewards of their environment so that they can have a positive impact on their community. Awareness of societal and environment issues helps them to shape their future world.



Impact Trust

The Impact Trust runs programs which aim to identify the key value of resilience in learners. One of their programmes is Routes to Resilience, which works with high school students and young work-seekers, to build leadership skills focused on sustainability and a sense of their purpose, individually and in the community. The orientation of the programmes is towards a systemic view of global issues, recognising social injustice, extractive growth and ecological breakdown as part of the interconnected challenges to a sustainable future.

Developing a fully equipped future workforce and entrepreneurship base

There is a strong need to bridge the economic disparity in South Africa. We believe that the development of educated and skilled individuals will lead to economic change and protect the future labour force.



Mitchell's Plain Bursary Trust

The Mitchell's Plain Bursary and Role Model Trust gives funding to students studying at one of the 17 identified schools in Mitchell's Plain or those who live in the area. These students have difficulty accessing tertiary education due to limited finances. The trust assists students with registration and/or tuition fees for studies at higher education institutions and further education and training colleges.



O Grace Land

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



Ray Mhlaba Skills Training Centre

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



Regional Educare Council

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

Building active communities through movement and sport

A well-rounded child is a physical and healthy child. This is achieved through extra mural activities and sport participation. Sports also teaches discipline, teamwork and leadership, all life-skills that a child can carry throughout their life.



VUSA

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

VUSA (the isiXhosa word for awaken) was an initiative that began in 2002 as a part-time rugby programme for children in the Langa community. As the programme developed, greater needs were identified. The root cause of the challenges that some of our youth face, such as poor mental and physical health, addiction, homelessness, crime and family breakdown are often attributed to deficiencies in early childhood. VUSA works predominantly with children from five schools in the Langa community. None of these schools have the staff or resources to implement effective sporting or extra mural programmes for their learners.

Development of Numeracy, Science Knowledge and English Literacy

South African children have one of the poorest performances in mathematics, science and literacy and this is more evident in disadvantaged schools. A focus on these basic tenets of education will allow these children to access a better, more knowledgeable future.



LEAP Science and Maths Schools

For more than ten years LEAP has developed unique, self-liberating high school education programmes with marginalised children through the only network of independent, no-fee schools in South Africa. The programme identifies student potential in high need communities and offers free education with the prerequisite that all students study mathematics, physical science and English.

The LEAP Movement works with a range of partners to effect broader systemic change in education in South Africa.



Won Life

Won Life is a registered non-profit organisation dedicated to improving the quality of education for the learners in the community of Fisantekraal, just outside of Durbanville. This is achieved through four education-based programmes, namely:

- Early Learning Centre (Grade R)
- Literacy Centre
- High School Education Centre and
- Teacher Mentorship Programme

Won Life believes that with a good education, children have the opportunity to break the cycle of poverty and are empowered to better carve out a preferred future for themselves and their families. Continued positive impact and influence on the lives of children will see the development of responsible and active citizens.

Supplying relief aid to the community



UNIVERSITY OF CAPE TOWN
IYUNIVESITHI YASEKAPA • UNIVERSITEIT VAN KAAPSTAD

University of Cape Town

A fire broke out on Table Mountain on Sunday, 18 April 2021 and the resultant effects were devastating. Students were evacuated and several buildings and student residences were destroyed. The Jagger Reading Room, housing a significant collection of African studies, was also destroyed. An immediate donation was made to provide relief to displaced students.

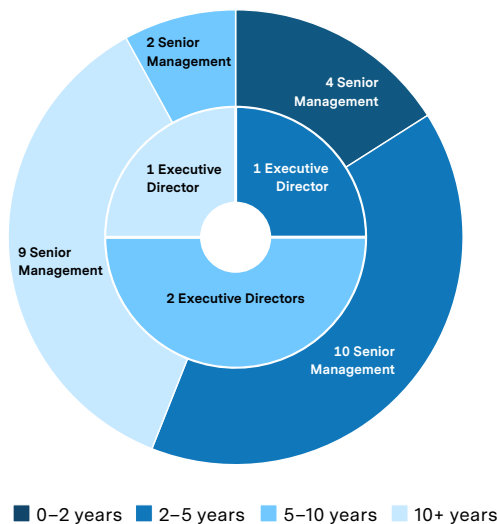
Business sustainability

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

Human and intellectual capital

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

Sygnia’s competitive advantage derives from the intellectual capital inherent in the experience and expertise of its management team. The Sygnia management team has been stable, with limited turnover of key personnel. This has provided overall stability to the business strategy, as well as long-term corporate memory of the evolution of all business units and client relationships. The key staff are all significant shareholders in the business, while the share option schemes should assist in retaining the broader team and help recruit additional senior staff going forward.

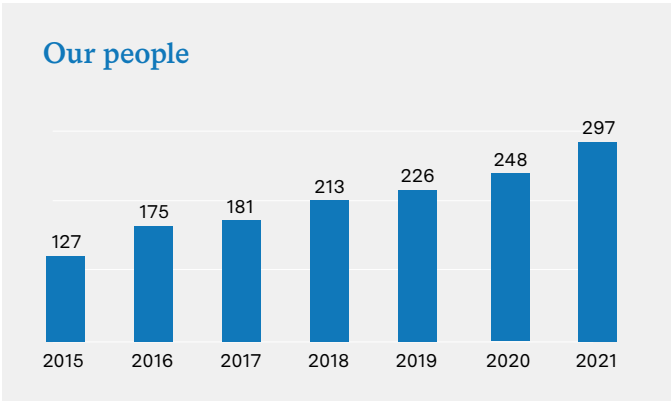


Sygnia’s middle management team has also been stable, with only a few career-based departures over the years. The share option schemes are material components of staff retention at the middle management tier.

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

Sygnia employs a staff complement of 297 (2020: 248). The growth in staff numbers has been steady and continues to specifically bolster the capacity and capability of the employee benefits and retail areas of the Group. The scalability of the business infrastructure and a strong focus on training allows for the quick integration of new staff, and Sygnia maintains an uncompromising focus to ensure that all its staff share Sygnia’s passion and values. Sygnia maintains a relatively flat management structure, although the growth of the business has dictated more rigour in the manner in which divisions are managed and evaluated.

The human resources team has been strengthened to manage the growth in staff numbers, and there has been a constant roll-out of initiatives, which include performance management, wellness evaluations and staff integration mechanisms.



Recruitment, development and retention

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

The Group prioritises the employment of black candidates for all positions, with 71% of staff being black (2020: 67%).

Sygnia regards rigorous internal training as key to its success and as such is less reliant on finding people with suitable experience. Emphasis is instead placed on finding individuals with the potential to excel and to be fasttracked within the Group to ensure career satisfaction and retention. A number of internship programmes are in place that have led to permanent placements. The internships are used to train junior staff and, over time, identify skilled individuals who are retained by the business. We also have four external black disabled learnerships being sponsored through the Leadership, Focus and Passion ("LFP") Training Programme. New starters are subject to thorough on-the-job training within their divisions, as well as a corporate induction programme aimed at ensuring that they are immersed in the values and performance-oriented culture of the business as quickly as possible.

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

In memoriam

We lost two special individuals during the year whose dedication to Sygnia made our company a better place. Alex Forbes, a senior retail administrator (2014 to 2021) looked upon Sygnia as his family. He personified the company's ideals, caring deeply for his clients and colleagues, and will be remembered for his extraordinary kindness. Donovan Roomaney took pride in the accuracy and quality of his fund accounting (2019 to 2021). With a friendly and positive attitude he was dedicated to contributing to the success of the company.

Social and relationship capital

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

Treating customers fairly

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

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

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

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

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

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

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

transparency was the core proposition to the institutional market, and the differentiating factor when Sygnia launched its multi-manager and customised multimanager products and services in 2006. In 2013, Sygnia launched the most cost-effective savings and investment products in South Africa to the retail market.

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

Sygnia also pioneered the concept of using institutional investment funds as an underpin to retirement annuities, living annuities and preservation funds offered to members exiting occupational retirement funds through withdrawal or retirement. This ensures that clients enjoy continuity of investment strategies at a reasonable cost. This includes SURF, whereby members of SURF who leave employment through withdrawal or retirement can remain members of SURF to enjoy the benefits of unchanged investment strategies and low fees. Sygnia places a strong focus on educating the general consumer about all aspects of saving and investing. This is achieved through articles, radio interviews, participation in conferences and specific client functions organised by Sygnia.

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

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

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

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

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

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

All of Sygnia's financial promotions and marketing literature are reviewed to ensure that they are clear, compliant and not misleading in any manner. All product information is available on Sygnia's website and through the retail and institutional portals, Alchemy and Platinum Light. Access to these portals allows consumers to view their transactions and investment information at any time. Development of these portals is ongoing to ensure that the needs of consumers are anticipated and addressed. Dedicated retail and institutional client service teams are available to answer direct questions. Clients receive monthly and quarterly statements, investment reports, economic commentary and other investment-related communications from Sygnia.

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

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

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

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

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

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

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

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

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

Environmental, social and governance factors

Sygnia endorses the principles of sustainable development and supports the incorporation of environmental, social and governance ("ESG") factors in investment decision making. As a multi-manager, Sygnia monitors the ESG policies of third-party asset managers employed to manage Sygnia's clients' assets. ESG factors are evaluated in terms of the extent to

which they are taken into account in the investment processes followed by the appointed asset managers. Managers are encouraged to become signatories to the Code for Responsible Investing in South Africa ("CRISA"), and this is taken into account in Sygnia's manager selection process.

Integrating ESG factors into the investment process at Sygnia takes the form of a multi-pronged approach that is adapted to meet the specific nature of the business and financial products managed. There is no one-size-fits-all when it comes to ESG integration, and therefore a tailored and evolving approach is required.

The approach to ESG integration can be broken down between multi-manager, passive, and fixed income investments. Products with ESG mandates may fall into any of these categories, and overarching this is ongoing shareholder activism, as well as agitation for social change from Sygnia as a business.

Stewardship is the future

Sustainability, commonly defined as the ability to meet the needs of the present without compromising on the ability of future generations to meet their needs, is an important consideration for long-term investors to ensure that decisions today do not adversely affect the ability to meet long-term goals. Sygnia Asset Management, and our clients, typically have long-term investment horizons and sustainability, therefore, is integral in ensuring our portfolios constructively contribute to growth into the future, and ultimately generate superior investment performance over time. Therefore, we ensure that appropriate measures are taken to incorporate sustainability factors into our portfolio construction process, alongside financial considerations.

Shareholder activism and the integration of sustainability factors, which may include ESG factors, have been an important part of the Sygnia investment process for many years. As a business, Sygnia has influenced a number of corporate events and governance shortcomings in South Africa. This includes exposing the exploitation of the poor at Net1, dismissing KPMG after evidence of their role in state capture, and challenging the asset management industry on a number of governance failings that resulted in significant losses for shareholders.

Over the past few years, substantial efforts have been made to formalise and standardise the integration of sustainability into the investment industry.

When it comes to responsible investing at Sygnia, the following industry frameworks and codes currently guide our approach:

- Regulation 28 of the Pension Funds Act ("Regulation 28") in so far as it requires ESG considerations to be taken into account when devising investment strategies for retirement funds.
- The principles embodied in CRISA.
- United Nations' Principles of Responsible Investment.

We also look to available research and industry best practice to ensure the approaches taken remain relevant, and therefore the responsible investment paradigm implemented by Sygnia are continually evolving and improving.

Transformation

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

Sygnia takes a holistic approach to transformation, implementing strategies across the Group, and takes a long-term view on compliance with the New FSC. The ownership aspect was partially addressed through the formation of the vendor-financed Ulundi Staff Trust for black staff and management in 2013 and its successful value creation for eligible beneficiaries on its unwinding during the 2021 financial year.

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

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

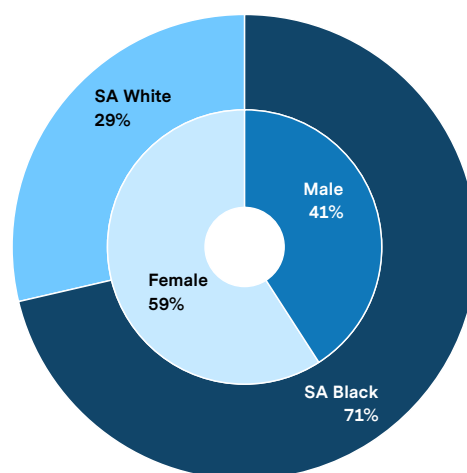
Preferential procurement has been an important aspect of the transformation strategy, with an active approach taken to ensure that procurement explicitly targets B-BBEE as a criterion for service provider selection. Sygnia has actively switched providers to those compliant with its objectives. Support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

Diversity and equal opportunity

Transformation and gender equality are part of the fabric of the Group, with a strong focus on attracting and promoting talented individuals from diverse backgrounds. Gender equality is strongly promoted with significant focus placed on the promotion of women to key management positions. The following statistics reflect that commitment:

- The chairperson is a woman.
- 22% of the board of directors is female.
- 59% of staff are women.
- Many senior management positions are held by women, including Head: Special Projects; Head: Employee Benefit Operations; Head: Institutional Administration; Head: Human Resources; Head: Retail Business; Head: Marketing; and Head: Risk Management.

In terms of broader staff diversity, inclusive of eight disabled staff members, the Group’s demographics at year-end are highlighted below.



Notice of the annual general meeting

Notice is hereby given that the annual general meeting (“Meeting”) of Sygnia Limited (“Sygnia” or “the Company”) will be held, subject to any cancellation, postponement and adjournment, on Thursday, 27 January 2022 at 10:00am (SAST).

Impact of COVID-19 outbreak on the AGM

As a result of the ongoing COVID-19 pandemic and the need for social distancing, the Meeting will be conducted entirely by electronic communication, as permitted by the Companies Act, No. 71 of 2008, as amended (“the Act”) and by the Company’s Memorandum of Incorporation (“MOI”).

Shareholders or their duly appointed proxy(ies) that wish to participate in the Meeting via electronic communication (Participant(s)) must either (1) register online using the online registration portal at <https://meetnow.global/ZA>; or (2) apply to Computershare, by sending an e-mail to proxy@computershare.co.za so as to be received by Computershare by no later than 10:00 (SAST) on Tuesday, 25 January 2022. Computershare will first validate such requests and confirm the identity of the shareholder in terms of section 63(1) of the Companies Act, and, if the request is validated, further details on using the electronic communication facility will be provided. The Company will inform Participants who notified Computershare of their intended participation by no later than 17:00 (SAST) on Wednesday, 26 January 2022 by e-mail of the relevant details through which Participants can participate electronically.

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

Record dates, voting and proxies

The record date to receive the notice of the Meeting, determined in accordance with section 59(1)(a) of the Companies Act, No. 71 of 2008, as amended (“the Act”), is Friday, 26 November 2021, being the date on which a person must be registered as a shareholder of the Company for purposes of being entitled to receive a notice of the Meeting. The record date for the Meeting, determined in accordance with section 59(1)(b) of the Act, is Friday, 21 January 2022, being the date on which a person must be registered as a shareholder of the Company for purposes of being entitled to participate in and vote at the Meeting. The last day to trade to be able to participate in and vote at the Meeting is Tuesday, 18 January 2022.

References to all page numbers are in relation to the Annual Financial Statements and the 2021 Integrated Report as indicated.

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

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

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

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

The attention of the shareholders is drawn to the fact that, if it is to be effective, the completed form of proxy must reach the Company’s transfer secretaries in Johannesburg before the time appointed for the Meeting (which period excludes Saturdays, Sundays and South African public holidays). For administrative purposes, proxies should however be submitted to the transfer secretaries before 10:00 on Tuesday, 25 January 2022.

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

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

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



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

A. Presentation of audited financial statements

The audited annual financial statements of the Company for the year ended 30 September 2021, together with the reports by the directors, the external auditors and the Audit and Risk Committee have been approved by the board of directors of the Company on 6 December 2021 and are available on the Company's website, www.sygnia.co.za.

B. Presentation of social and ethics committee report

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

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

Ordinary Resolution 1: To appoint the auditor of the Company

To appoint Mazars, as recommended by the Audit and Risk Committee, to be the Company's registered auditor for the ensuing year ending 30 September 2022 and to note Ms Yolande Ferreira as the designated audit partner.

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

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

- 2.1 Mr M Jonas
- 2.2 Mr G Cavaleros

A profile in respect of each director is contained on page 20 of the 2021 Integrated Report. The re-election of the directors of the board will be conducted by way of a separate vote in respect of each individual.

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

To elect as a non-executive director, the following individual who was appointed during the year:

- 3.1 Mr J Boyd

A profile of Mr J Boyd is contained on page 20 of the 2021 Integrated Report.

To elect as an executive director, the following individual who was appointed during the year:

- 3.2 Mr W Wierzycki

A profile of Mr W Wierzycki is contained on page 19 of the 2021 Integrated Report.

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

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

To elect the Audit and Risk Committee members as required

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

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

A profile in respect of each member recommended for election to the Audit and Risk Committee is contained on page 20 of the 2021 Integrated Report. The election of the members of the Audit and Risk Committee will be conducted by way of a separate vote in respect of each individual.

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

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

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

There will be no restrictions in regard to the persons to whom the ordinary shares may be allotted and issued, provided that such shares are to be allotted and issued to public shareholders (as defined by the JSE Listings Requirements) and not to related parties (as defined by the JSE Listings Requirements).

The total aggregate number of ordinary shares that may be issued for cash in terms of this authority may not exceed 22 444 983 ordinary shares, constituting 15% of the aggregate number of ordinary shares in issue as at the date of notice of the Meeting. The number of ordinary shares that may be issued shall be based on the number of ordinary shares in issue at the date of this notice of Meeting, less any ordinary shares issued in terms of this authority by the Company during the current financial year.

In the event of sub-division or consolidation of ordinary shares prior to this authority lapsing, the existing authority shall be adjusted accordingly to represent the same allocation ratio.

The maximum discount at which the ordinary shares may be issued is 10% (ten percent) of the weighted average traded price of those ordinary shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the Company and the party(ies) subscribing for the ordinary shares. The JSE should be consulted for a ruling if the Company's securities have not traded in such 30 (thirty) business day period.

This authority shall not endure beyond the earlier of the next annual general meeting of the Company or beyond 15 (fifteen) months from the date of this ordinary resolution, whichever is shorter.

Upon any issue of ordinary shares that, together with prior issues of ordinary shares within the period that this authority is

valid, constitute 5% (five percent) or more of the total number of ordinary shares in issue prior to that issue, the Company shall publish an announcement in terms of section 11.22 of the JSE Listings Requirements, giving full details thereof.

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

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

Ordinary Resolution 6: Control of authorised but unissued shares

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

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

To endorse, through a non-binding advisory vote, the Company's remuneration policy (excluding the remuneration of non-executive directors) as contained on pages 25 to 27 of the 2021 Integrated Report.

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

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

To endorse, through a non-binding advisory vote, the Company's remuneration implementation report as contained on pages 25 to 27 of the 2021 Integrated Report.

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

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

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

Special resolutions

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

To resolve that fees payable by the Company to directors for their services as directors (in terms of section 66(9) of the Act) be and are hereby approved for a period of one year from the

passing of this special resolution or until its renewal, whichever is the earlier, as follows (exclusive of VAT):

- 1.1 in respect of Professor Haroon Borat, a proposed annual fee of R930 000
- 1.2 in respect of Mr George Cavaleros, a proposed annual fee of R750 000
- 1.3 in respect of Mr Mcebisi Jonas, a proposed annual fee of R1 130 000
- 1.4 in respect of Ms Clarissa Appana, a proposed annual fee of R400 000
- 1.5 in respect of Mr Jurgen Boyd, a proposed annual fee of R650 000
- 1.6 in respect of any other director, an annual fee not exceeding R700 000.

Special Resolution 2: To authorise the repurchase of shares

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

- This general authority shall be valid until the Company's next annual general meeting or for 15 months from the date of this resolution, whichever period is shorter.
- The ordinary shares be purchased through the order book operated by the JSE trading system and be done without any prior understanding or arrangement between the Company and/or the relevant subsidiary and the counterparty from whom the shares are purchased.
- An announcement complying with paragraph 11.27 of the JSE Listings Requirements be published by the Company
 - i. when the Company and/or its subsidiaries have cumulatively repurchased 3% of the ordinary shares in issue as at the time the general authority was given (the initial number); and
 - ii. for each 3% in aggregate of the initial number of ordinary shares acquired by the Company and/or its subsidiaries.
- The general repurchase by the Company of its own ordinary shares shall not in the aggregate in any one financial year exceed 20% of the Company's issued share capital of that class, provided that the acquisition of ordinary shares as treasury stock by a subsidiary of the Company shall not exceed 10% in the aggregate of the number of issued shares in the Company.
- Repurchases are not to be made at a price more than 10% above the weighted average of the market value for the ordinary shares for the five business days immediately preceding the date upon which the repurchase is effected.
- At any point in time, the Company may only appoint one agent to effect any repurchase on the Company's behalf or on behalf of any of its subsidiaries.
- A resolution is passed by the board of directors authorising the repurchase, that the Company passed the solvency and liquidity test and that since this test was done there have been no material changes to the financial position of the Group.
- The Company and its subsidiaries do not repurchase ordinary shares during a prohibited period (as defined in the JSE Listings Requirements), unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are



fixed (not subject to any variation) and has been submitted to the JSE in writing prior to the commencement of the Company's prohibited period. The Company will instruct an independent third party, which makes its investment decisions in relation to the Company's securities independently of, and uninfluenced by, the Company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE.

- Such repurchase shall be subject to compliance with the Act, the MOI and the JSE Listings Requirements.

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

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

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

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

Statement in terms of paragraph 11.26 of the JSE Listings Requirements

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

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

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

In compliance with paragraph 11.26(b) of the JSE Listings Requirements, the information listed below has been included in the 2021 Integrated Report in which this notice is included, at the places indicated:

- Major shareholders (page 91 of the 2021 Integrated Report)
- Stated capital (page 48 of the 2021 Integrated Report)

Material change

Other than the facts and developments reported on in the 2021 Integrated Report, there have been no material changes in the affairs, and in the financial or trading position of the Group, since the financial period ended 30 September 2021 and the signature date of this notice.

Directors' responsibility statement

The directors whose names are set out on pages 19 to 20 of the 2021 Integrated Report collectively and individually accept full responsibility for the accuracy of the information contained in Special Resolution 2 and certify that to the best of their knowledge and belief there are no other facts the omission of which would make any statement false or misleading, and that they have made all reasonable queries in this regard, and that the notice of the Meeting contains all information required by law and by the JSE Listings Requirements.

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

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

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

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

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

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

By order of the board

Glen MacLachlan
Company secretary
6 December 2021

Registered office

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

Form of proxy

Sygnia Limited

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

For use at the annual general meeting of the Company to be held at 10:00am (SAST) on Thursday, 27 January 2022, and at any cancellation, postponement or adjournment thereof.

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

I/we (full name):

of (address):

Telephone number: Cell number:

Email address:

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

hereby appoint (1) or failing him/her

hereby appoint (2) or failing him/her

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

Signature/s:

Signed at:

On:





Mark whichever is applicable with an X

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

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

1. Only shareholders who hold certificated shares and shareholders who have dematerialised their shares with “own name” registration may use this form of proxy.
2. Each shareholder is entitled to appoint one or more proxies (none of whom needs be a shareholder of the Company) to attend, speak and, on a poll, vote in place of that shareholder at the annual general meeting, by inserting the name of the proxy or the names of two alternate proxies of the shareholder’s choice in the space provided, with or without deleting “the chairman of the annual general meeting”. The person whose name stands first on the form of proxy and who is present at the Meeting will be entitled to act as the proxy to the exclusion of those whose names follow.
3. A shareholder’s instructions to the proxy must be indicated by the insertion of an “X” in the relevant space according to how that shareholder wishes their votes to be cast. However, if a shareholder wishes to cast a vote in respect of a lesser number of ordinary shares than they own in the Company, they should insert the number of ordinary shares held in respect of which they wish to vote in the relevant spaces. Failure to comply with the above will be deemed to authorise the chairman of the annual general meeting, if he is the authorised proxy, to vote in favour of the resolutions at the annual general meeting, or any other proxy to vote or to abstain from voting at the annual general meeting, as he deems fit, in respect of all the shareholder’s votes exercisable thereat.
4. A shareholder or its proxy is not obliged to vote in respect of all the shares held or represented by it, but the total number of votes for or against the resolutions in respect of which any abstention is recorded may not exceed the total number of votes to which the shareholder or its proxy is entitled.
5. Forms of proxy must be lodged and/or posted to the Company’s transfer secretaries (Computershare Investor Services (Pty) Ltd) at Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (Private Bag X9000, Saxonwold, 2132) or emailed to proxy@computershare.co.za, to be received by the transfer secretaries by no later than 10:00am (SAST) on Tuesday, 25 January 2022, or handed to the chairman of the annual general meeting at any time prior to the vote.
6. The completion and return of this form of proxy in accordance with point 5 above will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
7. A minor must be assisted by the minor’s parent or guardian, unless the relevant documents establishing the minor’s capacity are produced or have been registered by the Company.
8. Any alterations or corrections to this form of proxy must be initialed by the signatory(ies).
9. This form of proxy must be signed by all joint shareholders. If more than one of those shareholders are present at the annual general meeting either in person or by proxy, the person whose name stands first in the register shall alone be entitled to vote.
10. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Company’s transfer office or waived by the chairman of the annual general meeting.
11. The chairman of the annual general meeting may reject or accept any form of proxy that is completed and/or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.

Shareholders holding dematerialised shares

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

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

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

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

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

A proxy appointment:

- must be in writing, dated and signed by the shareholder; and
- remains valid for:
 - » one year after the date on which it was signed; or
 - » any longer or shorter period expressly set out in the appointment,
- unless it is revoked in a manner contemplated in subsection (4)(c) or expires earlier as contemplated in subsection (8)(d) of section 58 of the Act.

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

- a shareholder of that company may appoint two or more persons concurrent as proxies, and may appoint more than one proxy to exercise voting rights attached to the different securities held by the shareholder;
- a proxy may delegate the proxy’s authority to act on behalf of the shareholder to another person, subject to any restriction set out in the instrument appointing the proxy; and





- a copy of the instrument appointing a proxy must be delivered to the company, or to any other person on behalf of the company, before the proxy exercises any rights of the shareholder at a shareholders' meeting.

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

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

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

Glossary of terms

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

Audited Consolidated Annual Financial Statements

for the year ended
30 September 2021



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

Sygnia 

Corporate information

Annual general meeting: **27 January 2022**

Share code (ordinary shares): **SYG**

ISIN: **ZAE000208815**

Board of Directors

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

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

Registered office:

7th Floor, The Foundry
Cardiff Street
Green Point
8001

Postal address:

PO Box 51591
Waterfront
8002

Company registration number

2007/025416/06

Company secretary:

G MacLachlan
Appointed: 01/11/2016

Sponsor:

The Standard Bank of South Africa Limited
30 Baker Street, Rosebank,
Johannesburg, 2196

External auditor:

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

Transfer secretaries:

Computershare Investor Services Proprietary Limited
Rosebank Towers, 15 Biermann Avenue, Rosebank,
Johannesburg, 2196

Contents

46	Directors' responsibility statement
47	Directors' report
49	Audit and Risk Committee report
51	Independent auditor's report
54	Consolidated statement of financial position
55	Consolidated statement of profit or loss and other comprehensive income
56	Consolidated statement of changes in equity
57	Consolidated statement of cash flows
58	Notes to the consolidated financial statements
91	Analysis of shareholding

Directors' responsibility statement

The directors are responsible for the preparation and fair presentation of the consolidated annual financial statements of Sygnia Limited and its subsidiaries ("the Group"). The annual financial statements comprise the Directors' report, Audit and Risk Committee report, report by the company secretary and the financial statements. The financial statements comprise the consolidated statement of financial position at 30 September 2021, the consolidated statements of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements which include a summary of significant accounting policies and other explanatory notes. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), Financial Reporting Pronouncements as issued by Financial Reporting Standards Council and the requirements of the Companies Act of South Africa.

The directors are also responsible for such internal control as they determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management. The directors have made an assessment of the ability of the Group to continue as a going concern and have no reason to believe that the businesses will not be a going concern in the year ahead.

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

Approval of annual financial statements

The consolidated annual financial statements were approved by the board of directors on 6 December 2021.

Chief Executive Officer and Financial Director confirmation

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

- the annual financial statements set out on pages 54 to 90, fairly present in all material respects the financial position, financial performance and cash flows of the Group in terms of IFRS;
- no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- internal financial controls have been put in place to ensure that material information relating to the Group have been provided to effectively prepare the financial statements of the Group; and
- the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function within the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the Audit and Risk Committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have taken the necessary remedial action.

David Hufton
Chief Executive Officer

Murad Sirkot
Financial Director

Report by the company secretary for the year ended 30 September 2021

In terms of S88(2)(e) of the Companies Act 2008, as amended and for the year ended 30 September 2021, I, Glen MacLachlan, in my capacity as company secretary of Sygnia Limited, hereby certify that Sygnia Limited has lodged all returns required by the Act with the Companies and Intellectual Property Commission and that all such returns are true, correct and up to date.

Glen MacLachlan
Company Secretary

Directors' report

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

Highlights

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

Financial performance

Despite another challenging and economically turbulent environment for cyclical businesses such as Sygnia, assets under management and administration increased by 17.7% to R296.4 billion as at 30 September 2021 (2020: R251.8 billion). During the same period the FTSE/JSE All Share Index returned 23.2%, the JSE All Bond Composite Index 12.5% and the MSCI World Index, in SA Rands, 16.2%. The growth has also taken place in an environment where the institutional savings market is shrinking by virtue of almost negligible economic growth, corporate closures and retrenchments in South Africa.

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

In addition, the Group has launched several new funds in line with customers' demands, which has contributed to the growth in its revenue.

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

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

Profit after tax increased by 16.9% to R240.9 million (2020: R206.1 million) in spite of difficult market conditions.

The Group continues to invest in technology to ensure that Sygnia continues to offer leading fintech solutions and exceptional service to clients. Its offshore expansion is not expected to contribute materially to the results for the foreseeable future but is regarded as an exciting opportunity to diversify its revenues. To that end, Sygnia has launched a number of Ireland-registered funds post year-end. These funds will be distributed to South African clients with existing offshore investments, as well as through international platform providers.

Corporate services

Sygnia offers the following services:

- Asset management services in the form of passive and multi-managed investments.
- A broad spectrum of investment funds, such as unitised life funds, unit trusts, exchange traded funds, and management of segregated portfolios.
- A full range of savings products, including retirement annuities, tax-free savings accounts, investment policies, living annuities, and preservation funds.
- Institutional investment administration services.
- Employee benefits services, including the Sygnia Umbrella Retirement Fund.
- Execution-only stockbroking, and securities lending and foreign exchange transacting services.

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

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

Market conditions

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

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

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

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

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

Events subsequent to the reporting date

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

Going concern

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

Stated capital

Sygnia Limited had 149 633 224 (2020: 148 402 374) shares in issue at the end of the year. 1 230 850 shares were issued due to share options being exercised.

Final cash dividend

Sygnia is committed to rewarding its shareholders with regular distributions of free cash flow generated. Accounting for projected cash requirements, a gross final dividend for the financial year ended 30 September 2021 of 80.0 cents per share has been declared out of income reserves, resulting in a net dividend of 64.0 cents per share for shareholders after Dividends Tax ("DT"). Together with the interim gross dividend of 55.0 cents per share, this amounts to a total gross dividend of 135.0 cents per share (2020: 110.0 cents per share).

Special resolutions

At the annual general meeting of the Company held on 28 January 2021, the following special resolutions were passed:

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

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

Special Resolution 2: To authorise the repurchase of shares

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

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

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

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

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

Audit and Risk Committee report

for the year ended 30 September 2021

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

Terms of reference, responsibilities and legal requirements

The ARC operates within a formal and board approved charter which is reviewed and adapted by the Committee on an annual basis (or more regularly where required) to cater for evolving oversight, regulatory and other requirements. As part of the annual evaluation of the board, the performance of the ARC was also assessed and found to be satisfactory. The ARC is satisfied that it has conducted its affairs and discharged its duties and responsibilities in accordance with its terms of reference, the JSE Listings Requirements, the Companies Act and the King IV™ Report on Corporate Governance.

Composition and meeting process

The ARC's members at the Group's financial year-end were Mr G Cavaleros, Ms C Appana and Mr J Boyd who was appointed on 29 July 2021 following Mr H Mayers resignation. The committee's members are independent non-executive directors who met four times during the year with senior management, including the Financial Director, the head of risk, certain other executive management as well as the assurance providers. The internal and external auditors have unfettered access to the ARC and its chairman and attend the Committee meetings.

External audit quality, independence and fees

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

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

The ARC will recommend to shareholders at the Group's annual general meeting that Mazars be re-appointed as the Group's auditors and Ms Y Ferreira as the designated partner for the year ending 30 September 2022.

Internal audit and internal controls

Mr D Hufton, Group CEO, is head of the internal audit control function, with PwC, led by Mr W de Bruin, continuing to perform the internal audit activities in terms of an outsourced service arrangement. Internal audit has unrestricted access

to those charged with governance. The ARC approved and monitored the risk based internal audit plan, considered the results of the reviews performed by internal audit, and obtained assurance that processes have been implemented by management to ensure that the necessary corrective action is taken to address internal audit's findings. In respect of in-scope areas, internal audit has not identified any significant weakness in the design, implementation or operating effectiveness of the Group's internal financial controls (IFCs) as well as its information systems general controls.

The Committee satisfied itself that the internal audit function is independent and had the necessary resources, standing and authority to discharge its duties. The ARC confirmed the reappointment of PwC as internal auditors and determined the 2022 internal audit plan for the Group.

In addition, Mazars conducted an International Standard on Assurance Engagements 3402 (ISAE 3402) Type 2 review of key internal controls at Sygnia Life Limited, Sygnia Asset Management Proprietary Limited, and Sygnia Collective Investments (RF) Proprietary Limited. In this regard, Mazars concluded, that for the period 1 October 2020 to 30 September 2021:

- the description of the systems as outlined in the ISAE 3402 reports, fairly presents Sygnia's investment management operations as designed and implemented;
- the controls related to the control objectives stated in the ISAE 3402 report were suitably designed throughout; and
- the controls tested, which were those necessary to provide reasonable assurance that the control objectives stated in the ISAE 3402 report were achieved, operated effectively.

Fraud or misconduct

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

Effectiveness of the Financial Director and the finance function

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

Risk management

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

- robust processes to identify and assess the Group's risk exposures;
- a risk management infrastructure capable of mitigating such

- risks within an approved risk appetite; and
- practices allowing for prompt communication of key risk-related matters to the ARC and other key internal stakeholders.

Combined assurance

Sygnia has developed and implemented a combined assurance model in respect of its key risks which were identified during a thorough top-down and bottom-up approach. The combined assurance model continues to be reviewed regularly and refined as appropriate to enhance its effectiveness and to cater for changing risk exposures and 'lines of defence' responsibilities. For each key risk, an appropriate action plan was developed and monitored. Combined assurance is evaluated against the Group's board approved risk appetite. The Committee's view is that the current combined assurance arrangements are sufficiently robust in order to achieve their objectives.

COVID-19

The Sygnia board and executive management team took primary responsibility for considering and addressing risks associated with the global pandemic which continued during the 2021 financial year.

The ARC evaluated managements' judgments and assumptions applied in valuing the Group's assets and liabilities and in calculating the potential impairments of both tangible and intangible assets. These were found to be reasonable. In light of the JSE's financial reporting requirements, the ARC also considered the financial statement disclosure in respect of COVID-19, and considered them to be adequate.

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

Annual financial statements

The Committee reviewed the accounting policies, significant accounting matters as well as the going concern assessment applicable to the Group's 2021 consolidated annual financial statements, and ensured that the consolidated annual financial

statements and the related results announcements were, in all material respects, in compliance with the provisions of the Companies Act, IFRS and the JSE Listings requirements. The ARC also considered matters, including those emanating from the JSE's pro-active monitoring process in respect of accounting policies and financial reporting as well as numerous other matters communicated by the JSE over the past few months in respect of reporting and disclosure. The Committee has concluded that appropriate financial reporting procedures exist and are operational within the Group to facilitate the preparation and dissemination of financial information that is free of material misstatement, whether due to fraud or error. The Committee is satisfied that the consolidated annual financial statements fairly present the financial position of the Group at 30 September 2021 and the results of its operations and cash flows for the year then ended. The consolidated annual financial statements and results announcement were recommended to the board for approval.

Consideration of key audit matters

The key audit matters (KAMs) identified and reported on by Mazars on page 51 are also matters that featured on the ARC's agenda. The Committee has assessed the key audit matters included in the external auditors' report and has concluded after considering submissions from management and Mazars that these matters have been appropriately addressed.

Integrated report

In compliance with the requirements of the King Report on Governance of South Africa 2016 and the JSE Listings Requirements, an Integrated Report has been compiled for the 2021 financial year in addition to these consolidated annual financial statements. The Committee has reviewed the contents of the Integrated Report and recommend its approval by the board.

George Cavaleros

Chairman of the Audit and Risk Committee
6 December 2021

Independent auditor's report

to the shareholders of Sygnia Limited

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Sygnia Limited and its subsidiaries (the Group) set out on pages 54 to 90, which comprise the consolidated statement of financial position as at 30 September 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 September 2021, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Valuation of limited liability partnership investments and unlisted private equity investments (note 7.1)

Matter

The Group's accounting policy in note 1 states that investments linked to investment contract liabilities are initially recognised at fair value and subsequently measured at fair value through profit or loss in accordance with IFRS 9.

The Group's investments linked to investment contract liabilities of R126 billion (R107 billion) include unlisted investments in limited liability partnerships of R3.8 billion (2020: R1.9 billion), and unlisted private equity investments of R89 million (2020: R46 million).

The limited liability partnership investment is classified as Level 3 investments and valued using the adjusted net asset value method. The adjusted net asset value of the limited liability partnerships are determined with reference to the fair value of the respective partnerships own investments in listed and unlisted shares.

The unlisted private equity investment is classified as a Level 2 investment and valued using the last trade price method.

Given the significance of the estimates and judgments used by management in the valuation of the Group's investments in limited liability partnerships and private equity investments, we have assessed that the valuation of these investments warrants significant audit focus. The use of inappropriate inputs and assumptions by management could result in an investment valuation reflected in the financial statements that is materially misstated.

Audit response

In establishing the overall approach to the group audit, we determined the extent of our reliance on the work performed by the component auditors of the limited liability partnerships. In addition to the work performed by the component auditors, we performed substantive tests of detail and substantive analytical review procedures to confirm the reasonableness of the valuation of the limited liability partnership investment and unlisted private equity investment carrying value at year end. Our audit procedures included, amongst others, the following:

- We assessed the appropriateness of the valuation methodologies and techniques applied in the valuation of the limited liability partnership investment and unlisted private equity investment in terms of the requirements of IFRS 13.
- We confirmed the last traded price for level 2 investments with reference to broker confirmations.
- We re-performed the calculation of the percentage holding in the limited liability partnerships with reference to opening balances and contributions and withdrawals into and out of the limited liability partnerships.
- We agreed the value of the level 3 investments to the underlying net asset values of the limited liability partnerships and assessed the reasonableness of the methodologies and assumptions used by the limited liability partnerships in determining the fair value of the underlying assets and liabilities used in the calculation of the adjusted net asset value.
- We assessed the presentation and disclosure of the limited liability partnership investment and unlisted private equity investment in the consolidated financial statements for compliance in terms of the IFRS.

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

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

Matter

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

The Group has goodwill and management contract balances which are included in the intangible assets balance.

The recoverable amounts of the goodwill and management contracts have been determined by management using the value in use calculations in accordance with the requirements of IAS36. The valuation techniques applied by management involve significant estimation and judgement.

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

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

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

Audit response

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

- We recalculated the valuation obtained from management to assess the mathematical accuracy thereof;
- We assessed the valuation methodology and key assumptions used in determining the valuation of the recoverable amount in terms of IAS36 which included a comparison to the actual historic results, management budgets and external market information as well as an assessment of the reasonability of the risk-free, discount, tax and growth rates used;
- We performed a sensitivity analysis on the significant assumptions and compared it to the overall recoverable amounts; and
- We assessed the presentation and disclosure of the goodwill and management contract intangible asset in the consolidated financial statements for compliance in terms of the IFRS.

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Sygnia Limited's Integrated Report 2021" and in the document titled "Audited Consolidated Annual Financial Statements for the year ended 30 September 2021" which includes the Directors' Report, the Audit and Risk Committee Report, the Report by the Company Secretary as

required by the Companies Act of South Africa and the Analysis of Shareholding. The other information does not include the consolidated or the separate financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

Mazars



Partner: Yolandie Ferreira
Registered Auditor
6 December 2021

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

Consolidated statement of financial position

as at 30 September 2021

	Notes	2021 R'000s	2020 R'000s
Assets			
Intangible assets	3	412 360	428 526
Property and equipment	4	21 877	27 479
Loans receivable	9	50 113	55 114
Right-of-use assets	5	28 659	47 894
Deferred tax assets	6	8 155	6 046
Investments linked to investment contract liabilities	7.1	126 641 861	106 675 742
Other receivables		6 920	4 234
Trade receivables	10	99 629	73 415
Investments	8	322 052	339 244
Amounts owing by clearing houses	11.1	2 826	831
Amounts owing by clients	11.2	410 046	95 380
Cash and cash equivalents	12	460 481	259 683
Total assets		128 464 979	108 013 588
Equity			
Stated capital	13	652 011	603 173
Retained earnings		366 154	308 129
Reserves		(237 067)	(208 461)
Total equity		781 098	702 841
Attributable to the owners of the parent		780 802	702 841
Attributable to non-controlling interest		296	-
Liabilities			
Loan payable - Non-current	15	-	90 366
Preference share liability - Non-current	17	-	100 000
Lease liabilities - Non-current	16	14 036	32 057
Deferred tax liabilities	6	80 154	74 039
Third-party liabilities arising on consolidation of unit trust funds	14	2 972 447	3 700 524
Investment contract liabilities	7.2	123 659 093	102 970 945
Tax payable		26 387	1 662
Loan payable - Current	15	65 276	-
Preference share liability - Current	17	100 000	-
Lease liabilities - Current	16	18 146	18 997
Trade and other payables	18	335 649	225 792
Amounts owing to clearing houses	11.1	95 709	24 740
Amounts owing to clients	11.2	316 984	71 625
Total liabilities		127 683 881	107 310 747
Total equity and liabilities		128 464 979	108 013 588

Consolidated statement of profit or loss and other comprehensive income

for the year ended 30 September 2021

	Notes	2021 R'000s	2020 R'000s
Revenue	21	737 198	661 009
Operating expenses	21	(411 885)	(381 886)
Profit from operations	21	325 313	279 123
Investment contract income	19	16 156 826	11 279 447
Transfer to investment contract liabilities	20	(16 156 826)	(11 279 447)
Interest income		19 595	26 315
Other investment income	22	4 156	8 536
Finance costs		(12 437)	(16 408)
Profit before tax		336 627	297 566
Income tax	23	(95 680)	(91 484)
Profit after tax		240 947	206 082
Other comprehensive income			
<i>Items that may subsequently be reclassified to profit or loss:</i>			
Foreign currency translation reserve		223	(6)
Total comprehensive income for the year		241 170	206 076
Profit attributable to:			
Owners of the parent		240 443	206 082
Non-controlling interest		504	-
		240 947	206 082
Total comprehensive income attributable to:			
Owners of the parent		240 666	206 076
Non-controlling interest		504	-
		241 170	206 076
Earnings per share (cents)	24		
Basic		170.7	146.4
Diluted		166.1	143.7

Consolidated statement of changes in equity

for the year ended 30 September 2021

Attributable to equity holders of the group

	Notes	Stated capital R'000s	Other reserves R'000s	Share-based payment reserve R'000s	Retained earnings R'000s	Non-controlling interest R'000s	Total equity R'000s
Balance at 1 October 2019		641 494	(252 902)	41 597	208 090	-	638 279
Total comprehensive income for the year		-	(6)	-	206 082	-	206 076
Dividends paid *		-	-	-	(106 043)	-	(106 043)
Share-based payment expense	21	-	-	4 109	-	-	4 109
Ordinary shares repurchased	13	(42 037)	-	-	-	-	(42 037)
Issue of shares relating to share options exercised	13	2 457	-	-	-	-	2 457
Transfer between share based payment reserve and stated capital for share options exercised	13	1 259	-	(1 259)	-	-	-
Balance at 30 September 2020		603 173	(252 908)	44 447	308 129	-	702 841
Acquisition of non-controlling interest		-	-	-	-	22	22
Total comprehensive income for the year		-	223	-	240 443	504	241 170
Dividends paid **		-	-	-	(182 418)	(230)	(182 648)
Share-based payment expense	21	-	-	8 377	-	-	8 377
Capital distribution ***	13	(71 824)	-	-	-	-	(71 824)
Issue of shares	13	83 160	-	-	-	-	83 160
Transfer between share based payment reserve and stated capital	13	37 502	-	(37 502)	-	-	-
Balance at 30 September 2021		652 011	(252 685)	15 322	366 154	296	781 098

* Dividends per share - 75 cents

** Dividends per share - 125 cents

*** Capital distribution per share - 48 cents

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

Consolidated statement of cash flows

for the year ended 30 September 2021

	Notes	2021 R'000s	2020 R'000s
Cash flows from operating activities			
Cash flows from operations	26	389 269	407 664
Dividends received		56	80
Interest received		20 679	25 025
Interest paid		(12 527)	(16 430)
Tax paid		(80 555)	(96 881)
Net cash flows from operating activities		316 922	319 458
Cash flows from investing activities			
Additions to property and equipment	4	(2 720)	(2 550)
Loans advanced		(4 994)	(3 855)
Loans repaid		10 016	1 973
Purchase of investments		(67 433)	(244 457)
Proceeds on sale of investments		90 936	169 629
Net cash flows from investing activities		25 805	(79 260)
Cash flows from financing activities			
Dividends paid		(182 648)	(106 043)
Issue of ordinary shares	13	83 160	2 457
Preference share redemption	17	-	(35 000)
Ordinary shares repurchased	13	-	(42 037)
Loan advanced	15	-	40 000
Loan repaid	15	(25 000)	-
Lease liabilities paid - principal portion	16	(18 343)	(13 532)
Net cash flows from financing activities		(142 831)	(154 155)
Net change in cash and cash equivalents		199 896	86 043
Cash and cash equivalents at beginning of the year	12	259 683	174 960
Exchange gains on cash and cash equivalents		902	(1 320)
Cash and cash equivalents at end of year	12	460 481	259 683

Note to the statement of cash flows:

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

Notes to the consolidated financial statements

for the year ended 30 September 2021

1. Accounting policies

The consolidated financial statements comprise Sygnia Limited and its subsidiaries ("the Group"). The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Basis of preparation

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

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

Forthcoming requirements

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

IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors

Effective for annual periods beginning on or after 1 January 2023

The amendments replace the definition of a change in accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

During the current year management has considered the impact of the above standard, amendments and interpretations issued, and do not believe that there are any material impacts to be noted as at the date of this report.

Basis of consolidation

The acquisition method of accounting is used to account for the acquisition of subsidiaries and businesses by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired, is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in profit or loss. The Group acts as a fund manager to collective investment schemes. In determining whether the Group controls such a scheme, it assesses the

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

Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition, over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, at the date of acquisition. Goodwill is reported in the statement of financial position as an intangible asset. Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses, which are reflected in profit or loss. Impairment losses on goodwill are not reversed. Goodwill is allocated to cash-generating units that are expected to benefit from the synergies of the combination for the purpose of impairment testing. The impairment is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Management contracts

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

Customer relationships

a) Acquired contracts with clients

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

b) Investment plan

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

Computer software

a) Internally-generated computer software

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

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

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

b) Purchased computer software

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

Licence

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

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

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

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

Property and equipment

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

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

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

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

Income tax

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

Deferred tax is provided using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Leases

Under IFRS 16, leases are recognised as a lease liability and corresponding right-of-use asset at the date which the leased asset is available for use by the Company.

Lease liability

The lease liability is initially measured at the present value of future lease payments. The lease payments are discounted using the incremental borrowing rate. The Group estimated the incremental borrowing rate using recent third-party financing rates received adjusted for certain entity-specific estimates such as the lease term. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect lease payments made. Interest charged on the lease liability is included in finance costs.

Right-of-use assets

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

- The initial amount of the corresponding lease liability.
- Any lease payments made at or before the commencement date.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Right-of-use assets are depreciated over three years, the depreciation charge is recognised in profit or loss.

Financial instruments

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

Financial assets

a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise investments linked to investment contract liabilities and investments. These assets are initially recognised at fair value and subsequently measured at fair value through profit or loss. Transaction costs are expensed to profit or loss. Financial assets at fair value through profit or loss are valued as follows:

- Listed equities - closing prices on an exchange.
- Listed interest income securities - closing prices on an exchange.
- Unlisted interest income securities - valuation model that uses observable market inputs (yield of benchmark bonds)
- Collective investment schemes - published price provided by the management company.
- Hedge funds - price provided by the fund manager.
- Investments in insurance policies - price provided by the insurer.
- Unlisted private equity investment - last traded price provided by broker. If no trades within six months, directors' valuation.
- Limited liability partnership investments - price provided by administrator.

Regular purchases and sales are recognised on trade date.

b) Financial assets at amortised cost

Financial assets at amortised cost comprise loans receivable, trade receivables, amounts owing by clearing houses, amounts owing by clients and cash and cash equivalents. These assets are initially recognised at fair value plus transactions costs and subsequently measured at amortised cost using the effective interest rate method, less any impairment losses. Financial assets at amortised cost are held to collect contractual cash flows, which consist solely of payments of principal and interest. Financial assets that are held to sell and those that are managed and whose performance is evaluated on a fair value basis are measured at fair value through profit or loss because

they are neither held to collect contractual cash flows nor held to collect contractual cash flows and sell. Receivables with a short duration are measured at their transaction price.

Financial liabilities

a) Financial liabilities at fair value through profit or loss

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

b) Financial liabilities at amortised cost

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

Scrip lending

The group engages in scrip lending activities whereby securities are lent to counterparties and are subject to a written legal agreement under the terms of a Global Master Securities Lending Agreement. In exchange for the securities lent, the group receives collateral in the form of cash or securities in excess of the market value of securities lent. The Group monitors the fair value of securities lent and additional collateral is obtained if necessary. The value of the cash collateral received is recorded as policyholder investments linked to investment contract liabilities with the equivalent payable to the counterparty recorded as investment contract liabilities. Securities lent to counterparties are shown as investment contract portfolio debtors and are stated at the fair value of the underlying securities. Scrip lending fees received are included in trading income.

Managed funds and trust activities

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

Impairment

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For financial assets at amortised cost, a forward looking expected credit loss (ECL) is applied. The Group holds only trade receivables with no financing component that have maturities of less than one year at amortised cost and, as such, has chosen to apply an approach similar to the simplified approach for ECL under IFRS 9 to all its trade receivables. The Group recognises a loss allowance based on lifetime ECLs at each reporting date. The Group applies IFRS 9's general approach to its loans receivable in terms of which the Group regards a significant increase in credit risk as when payments are more than 30 days past due, and a default as when payments are more than 90 days past due. Loans are written off when there is no realistic prospect of recovery.

Revenue

Revenue comprises fees for services rendered and includes investment management fees, investment administration fees, general partner fees, treasury income, brokerage income and securities lending income.

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

Brokerage and treasury income continues to be recognised at a point in time on the day that the purchase or sale of financial instruments is concluded, regardless of when settlement takes place.

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

Interest and other investment income

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

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

Finance costs

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

Share-based payments

The Group operates two share option schemes involving share options in Sygnia Limited. The share option schemes, which are on an equity settled basis, allows the Group's employees to acquire shares of Sygnia Limited. The fair value of options granted is recognised as an expense with a corresponding increase in equity (share based payment reserve), 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. When share options are exercised, the share based payment reserve is released to share capital.

Foreign currencies and foreign operations

Transactions in foreign currencies are recorded at the rate of exchange ruling at the transaction date. Financial assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date.

Gains and losses arising on translation are credited to or charged against profit or loss. The Group has a subsidiary in the UK for which the functional currency is pound sterling. On consolidation, the results and financial position of the UK subsidiary is translated into the presentation currency of the Group, as follows:

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

Earnings per share

The Group presents basic and diluted earnings per share and headline earnings per share data for its ordinary shares. Basic earnings per share are calculated by dividing profit or loss attributable to ordinary equity shareholders of the parent by the weighted average number of ordinary shares in issue during the period. Diluted earnings per share are determined by adjusting the profit or loss attributable to ordinary equity shareholders of the parent and the weighted average number of ordinary shares outstanding for the effects of all potential dilutive instruments. Headline and diluted headline earnings per share are calculated in accordance with Circular 1/2021 issued by the South African Institute of Chartered Accountants.

Segment information

The Group has identified Sygnia's executive committee as the Chief Operating Decision Maker ("CODM"). The responsibility of the executive committee is to assess performance and to make resource allocation decisions across the Group. During 2019, the Group commenced operations in the United Kingdom. These operations are through a subsidiary, registered in England & Wales, that earns fees and incurs costs as the general partner to a private equity partnership registered in England & Wales and for support services rendered. The revenue and costs related to these operations is not considered to be significant and therefore, no further disclosure has been made in relation to this segment. The South African operations continued to provide investment management and administration services to institutional and retail clients predominantly located in South Africa. No disaggregated information is provided to the CODM on the South African operations, and the CODM assesses operating performance and makes resource decisions about the South African operations as a whole. The Group has therefore concluded that the South African operations constitutes one operating segment.

2. Use of estimates and judgements

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

3. Intangible assets

2021	Goodwill R'000s	Management contracts R'000s	Customer relationships R'000s	Computer software R'000s	Licence R'000s	Closing balance R'000s
At cost						
Opening balance	149 698	253 885	17 176	19 880	1 170	441 809
Refund*	-	-	-	(13 908)	-	(13 908)
Closing balance	149 698	253 885	17 176	5 972	1 170	427 901
Accumulated amortisation and impairment						
Opening balance	(31)	-	(6 929)	(5 972)	(351)	(13 283)
Amortisation	-	-	(2 141)	-	(117)	(2 258)
Closing balance	(31)	-	(9 070)	(5 972)	(468)	(15 541)
Carrying amount	149 667	253 885	8 106	-	702	412 360
2020						
At cost						
Opening balance	149 698	253 885	17 176	37 931	1 170	459 860
Scrapping	-	-	-	(18 051)	-	(18 051)
Closing balance	149 698	253 885	17 176	19 880	1 170	441 809
Accumulated amortisation and impairment						
Opening balance	(31)	-	(5 066)	(23 137)	(234)	(28 468)
Amortisation	-	-	(1 863)	(886)	(117)	(2 866)
Disposal / Scrapping	-	-	-	18 051	-	18 051
Closing balance	(31)	-	(6 929)	(5 972)	(351)	(13 283)
Carrying amount	149 667	253 885	10 247	13 908	819	428 526

Goodwill consists mainly of amounts relating to two separate cash generating units ("CGUs"), namely SURF and Sygnia Itrix. Consequently, there are two separate goodwill impairment assessments relating to each of the CGUs. The carrying amount relating to SURF is R18.5 million (2020: R18.5 million) and to Sygnia Itrix is R130.8 million (2020: R130.8 million).

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

Critical accounting estimates and judgements

Management assesses the recoverable amount of each CGU and management contracts by using value-in-use calculations for each CGU and management contract. Value-in-use is assessed on a discounted cash-flow based calculation. These calculations use cash flow projections based on financial budgets for a five-year planning period. Where appropriate, cash flows were extrapolated into perpetuity by using a terminal growth rate model. A key input used in the models to determine the value-in-use of the CGUs is the pre-tax discount rate applied to management's forecasted cash flows, which reflects the current market assessments of time value of money and the risk specific to the CGU. The growth rate and terminal growth rate is based on historical information.

Impairment evaluation of goodwill

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

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

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

Impairment evaluation of management contracts

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

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

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

Impairment evaluation of customer relationships and licenses

There were no impairment indicators for customer relationships and licences. Refer to note 32 for an assessment of the COVID-19 pandemic.

4. Property and equipment

2021	Artwork R'000s	Computer equipment R'000s	Furniture and fittings R'000s	Leasehold improvements R'000s	Motor vehicle and office equipment R'000s	Owner occupied property R'000s	Closing balance R'000s
At cost							
Opening balance	8 831	3 909	5 500	24 779	1 185	5 162	49 366
Additions	-	1 623	942	155	-	-	2 720
Scrapping	-	(323)	(244)	(3 679)	-	-	(4 246)
Foreign exchange adjustment	-	-	-	(571)	-	-	(571)
Closing balance	8 831	5 209	6 198	20 684	1 185	5 162	47 269
Accumulated depreciation							
Opening balance	(3 131)	(1 946)	(3 370)	(11 932)	(993)	(515)	(21 887)
Depreciation	(316)	(1 420)	(806)	(5 184)	(88)	(103)	(7 917)
Scrapping	-	323	244	3 679	-	-	4 246
Foreign exchange adjustment	-	-	-	166	-	-	166
Closing balance	(3 447)	(3 043)	(3 932)	(13 271)	(1 081)	(618)	(25 392)
Carrying amount	5 384	2 166	2 266	7 413	104	4 544	21 877

2020	Artwork R'000s	Computer equipment R'000s	Furniture and fittings R'000s	Leasehold improvements R'000s	Motor vehicle and office equipment R'000s	Owner occupied property R'000s	Closing balance R'000s
At cost							
Opening balance	8 831	10 504	11 112	48 716	1 282	5 162	85 607
Additions	-	1 468	680	381	21	-	2 550
Scrapping	-	(8 063)	(6 292)	(25 640)	(118)	-	(40 113)
Foreign exchange adjustment	-	-	-	1 322	-	-	1 322
Closing balance	8 831	3 909	5 500	24 779	1 185	5 162	49 366
Accumulated depreciation							
Opening balance	(2 815)	(8 824)	(8 761)	(31 000)	(1 006)	(412)	(52 818)
Depreciation	(316)	(1 176)	(854)	(6 428)	(125)	(103)	(9 002)
Scrapping	-	8 054	6 245	25 677	138	-	40 114
Foreign exchange adjustment	-	-	-	(181)	-	-	(181)
Closing balance	(3 131)	(1 946)	(3 370)	(11 932)	(993)	(515)	(21 887)
Carrying amount	5 700	1 963	2 130	12 847	192	4 647	27 479

5. Right-of-use assets

	Corporate offices	
	2021 R'000	2020 R'000
At cost		
Opening balance	62 323	-
Adoption of IFRS 16	-	25 999
Additions	-	34 358
Lease modification *	(302)	-
Foreign exchange adjustment	(851)	1 966
Closing balance	61 170	62 323
Accumulated depreciation		
Opening balance	(14 429)	-
Depreciation	(18 281)	(14 315)
Foreign exchange adjustment	199	(114)
Closing balance	(32 511)	(14 429)
Carrying amount	28 659	47 894

* During the year the leases were renegotiated with an effective date of 1 July 2021, resulting in a lease modification.

Refer to note 16 for the lease liabilities relating to right-of-use assets.

6. Deferred tax

	Consolidated statement of financial position		Consolidated statement of profit or loss and other comprehensive income	
	2021 R'000s	2020 R'000s	2021 R'000s	2020 R'000s
Deferred tax assets relates to the following:				
Accruals	7 415	5 321	2 478	(2 974)
Estimated tax losses	-	260	(260)	(570)
Deferred operating lease cash flows	-	-	-	(429)
Income received in advance	471	316	155	(19)
Prepayments	(1 663)	(853)	(810)	(355)
Intangible assets	-	-	-	210
Tenant installation allowance	18	43	(25)	(25)
Net fair value adjustment on investments	162	54	108	(150)
Right-of-use asset	(5 402)	(15 452)	10 050	(15 185)
Lease liability	7 154	16 357	(9 203)	16 456
Foreign exchange adjustment	-	-	72	101
	8 155	6 046	2 565	(2 940)
Deferred tax liabilities relates to the following:				
Accruals	5 512	4 595	917	1 416
Deferred operating lease cash flows	-	-	-	7
Intangible assets	(72 385)	(73 281)	896	139
Prepayments	(141)	(74)	(67)	(37)
Policy holder reserve adjustment	-	-	-	1 905
Net fair value adjustment on investments	(2 819)	(1 007)	(1 812)	(323)
Unrealised profit on investment contract assets relating to policyholders	(10 321)	(4 272)	(6 049)	(1 993)
	(80 154)	(74 039)	(6 115)	1 114

In the prior year a deferred tax asset was not recognised on tax losses amounting to R9.7 million. This related to a subsidiary in the Group where it was unclear at year end if future taxable income would be available for offset against the loss. In the current year the company started generating taxable income, as a result, the deferred tax asset has been recognised.

7. Investment contract investments and liabilities

7.1 Investments linked to investment contract liabilities

Investments linked to investment contract liabilities	2021 R'000s	2020 R'000s
Equities	23 665 606	16 476 596
Interest income securities	6 837 239	8 961 236
Domestic collective investment schemes *	15 225 023	9 017 015
International collective investment schemes *	56 532 085	50 887 823
Hedge funds	75 427	57 868
Derivatives	33 154	-
Limited liability partnership investments	3 809 358	1 904 704
Unlisted private equity investment	89 568	46 477
Domestic investments in insurance policies	9 713 152	8 325 469
International investments in insurance policies	78 441	277 517
Cash and cash equivalents	2 591 852	2 423 153
Investment contract portfolio debtors	5 604 725	4 733 607
Unsettled cash transactions	259 571	(30 631)
Investment contract portfolio accrued interest	88 380	91 873
Collateral equities relating to scrip on loan	3 266 576	800 075
Collateral cash relating to scrip on loan	2 038 280	3 503 035
Collateral payable relating to scrip on loan	(3 266 576)	(800 075)
	126 641 861	106 675 742

The collateral above of R5.3 billion (2020: R4.3 billion) as well as collateral that has been pledged of R460 million (2020:R375 million) is in respect of scrip on loan of R5.5 billion (2020: R4.5 billion).

* The collective investment schemes are unconsolidated structured entities.

Derivative contracts

Exchange traded futures and options contracts are entered into for both long and short positions. The positions are covered by an initial margin deposit. Fair value movements are settled on a daily basis by means of variation margin payments. The total derivatives exposure at year end was a long position of R253 million (2020: R1.2 billion) and a short position of R34.5 million (2020: R280 million).

7.2 Investments contract liabilities

	2021 R'000s	2020 R'000s
Opening balance	102 970 945	93 712 925
Contributions	19 883 302	15 137 376
Net investment income		
Interest income	1 384 509	1 200 289
Dividends from listed investments	691 247	764 196
Fund balance adjusted for gross fund inflows	124 930 003	110 814 786
Withdrawals	(13 306 485)	(15 771 510)
Management fees	(306 353)	(264 439)
Portfolio expenses	(162 018)	(187 134)
Interest expense	(137 035)	-
Transaction costs	(137 450)	(116 767)
Income tax	9 108	(32 514)
Deferred tax	(6 047)	(1 993)
Unutilised tax losses transferred to corporate	(6 236)	(256)
Commission paid by policyholders - ongoing	-	(630)
Fair value adjustment to third-party liabilities	(155 820)	(387 055)
Net fair value gains on investments linked to investment contract liabilities	14 081 070	9 314 962
Other payables	321 111	(11 277)
Cash collateral payable relating to scrip on loan	(1 464 755)	(385 228)
	123 659 093	102 970 945

8. Investments

	2021 R'000s	2020 R'000s
Collective investment schemes	212 383	227 090
Sygnia Life Core Income Fund	109 669	112 154
	322 052	339 244

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

9. Loans receivable

	2021 R'000s	2020 R'000s
ASISA Supplier Development Trust	8 200	3 242
Beret Properties Proprietary Limited	6 360	6 984
Izibuko Holdings Proprietary Limited	98	62
WealthFoundry Proprietary Limited *	-	3 353
Widok Properties Proprietary Limited	2 318	2 415
Deutsche Securities	25	25
Staff loans	33 112	39 033
	50 113	55 114

* WealthFoundry Proprietary Limited has been consolidated in the current year.

The loans to ASISA Supplier Development Trust ("ASISA") is unsecured, interest free and repayable between September 2025 and September 2028.

There are two loans to Beret Properties Proprietary Limited; both are unsecured and bear interest at the prime interest rate. The first loan is repayable in monthly instalments over 10 years, with final repayment in November 2025. The second loan is repayable in monthly instalments over 20 years, with final payment in November 2035. R1.06 million was paid in instalments on both loans in the current year (2020: R1.14 million) consisting of capital of R0.62 million (2020: R0.54 million) and interest of R0.44 million (2020: R0.60 million). R0.67 million of the loan balance is due within twelve months of the reporting date.

The loan to Izibuko Holdings Proprietary Limited is unsecured, bears no interest and has no fixed repayment terms. The loan to Izibuko Holdings Proprietary Limited was settled subsequent to year end.

The loan to Widok Properties Proprietary Limited is unsecured, bears interest at the prime interest rate less 0.5% and is repayable in monthly instalments over 20 years, with final

payment in November 2035. R0.25 million was paid in instalments in the current year (2020: R0.28 million) consisting of capital of R0.10 million (2020: R0.08 million) and interest of R0.15 million (2020: R0.20 million). R0.10 million of the loan balance is due within twelve months of the reporting date.

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

Management has assessed the recoverability of the loans to Beret Properties Proprietary Limited, Widok Properties Proprietary Limited and ASISA based on budgeted forecasts and expected repayments. These companies and ASISA have sufficient assets to settle the loans in future. The assets of the companies and ASISA exceed the liabilities and the disposal of assets would be sufficient to settle all the liabilities. Management has also assessed the recoverability of the staff loans and has assessed the loans to be performing. The value of the shares at year end is approximately 212% of the loan balance.

10. Trade receivables

	2021 R'000s	2020 R'000s
Fees receivable	77 576	65 708
Interest receivable	1 659	2 743
Rental deposits	4 900	4 730
Sundry debtors*	15 494	234
	99 629	73 415

Refer to note 28 for credit risk disclosure.

* Sundry debtors includes R13.9 million relating to a refund due on an intangible asset. Refer to note 3.

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

11.1 Amounts owing by/(to) clearing houses

	2021 R'000s	2020 R'000s
Amount receivable	2 826	831
Amounts owing by clearing houses	2 826	831
Amount payable	(95 709)	(24 740)
Amounts owing to clearing houses	(95 709)	(24 740)

11.2 Amounts owing by/(to) clients

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

In terms of Section 21 of the Financial Markets Act of 2012, cash held for client accounts and in the client's name is held with JSE Trustees Proprietary Limited ("JSE Trustees"). At year end, client money held with the JSE Trustees amounted to R70.4 million (2020: R78.4 million). This amount is not reflected in the statement of financial position as it relates to client monies over which the Group has no control.

12. Cash and cash equivalents

	2021 R'000s	2020 R'000s
Current accounts (BB rated)	299 681	179 883
Call accounts (BB rated)	160 800	79 800
	460 481	259 683

Impairments on cash and cash equivalents are measured on a 12-month expected credit loss basis and reflect the short-term maturities of the exposures. The Group considers that its cash and cash equivalents have good credit quality based on the external credit ratings of the counterparties. No impairment is considered necessary.

13. Stated capital

Authorised

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

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

* Exercise price - R8.17 per share

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

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

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

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

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

	2021 R'000s	2020 R'000s
Opening balance	3 700 524	2 644 032
Net contributions and withdrawals	825 091	608 153
Fair value adjustment to third-party liabilities	155 820	387 055
(Deconsolidation)/consolidation of unit trusts	(1 708 988)	61 284
Closing balance	2 972 447	3 700 524

15. Loan payable

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

The loan amount represents the amount utilised from a R100 million facility with Standard Bank. This facility is in place from March 2019 to March 2022. Drawdowns can be made at any time during the facility period with five working days notice. Interest is accrued at JIBAR plus 1.5% and is payable quarterly. Capital can be repaid at any time with final repayment on 29 March 2022. The loan is secured by guarantees from various companies in the Group. These companies are subject to financial covenants including interest, leverage and obligor cover ratios and AUM levels, which are monitored. The Group did not come close to breaching any of these covenants during the year. We are negotiating an extension of the facility with Standard Bank.

16. Lease liabilities

	2021 R'000s	2020 R'000s
Opening balance	51 054	-
Adoption of IFRS 16	-	28 448
Lease modification **	(302)	-
Additions	-	34 358
Lease payments *	(21 317)	(16 953)
Finance costs	2 974	3 421
Exchange differences	(227)	1 780
Closing balance	32 182	51 054
Current portion	18 146	18 997
Non-current portion	14 036	32 057
	32 182	51 054

* The lease payments include interest of R2.97 million (2020: R3.42 million), which has been presented on the statement of cash flows within operating activities (as finance costs). The capital repayments of R18.34 million (2020: R13.53 million) have been disclosed within financing activities.

** During the year the leases were renegotiated with an effective date of 1 July 2021, resulting in a lease modification.

Refer to note 5 for right-of-use assets relating to lease liabilities.

17. Preference share liability

	2021 R'000s	2020 R'000s
Opening balance	100 000	135 000
Preference share redemption	-	(35 000)
Closing balance	100 000	100 000

The rate of the Standard Bank preference shares is linked to prime. The preference shares can be redeemed by the Group at any time with a final compulsory redemption on 30 March 2022. The preference shares are secured by guarantees from various companies in the Group. These companies are subject to financial covenants including interest, leverage and obligor cover ratios and AUM levels, which are monitored. The Group did not come close to breaching any of these covenants during the year. We are negotiating an extension of the preference share terms with Standard Bank.

18. Trade and other payables

	2021 R'000s	2020 R'000s
Accruals	52 223	50 065
Trade creditors	55 035	53 183
Unsettled trades	154 883	117 079
Deferred income	1 684	1 130
Value added tax payable	-	4 335
Capital distribution payable	71 824	-
	335 649	225 792

19. Investment contract income

	2021 R'000s	2020 R'000s
Net fair value gains on investments linked to investment contract liabilities	14 081 070	9 314 962
Net investment income		
Interest income	1 384 509	1 200 289
Dividends from listed investments	691 247	764 196
	16 156 826	11 279 447

20. Transfer to investment contract liabilities

	2021 R'000s	2020 R'000s
Management fees	306 353	264 439
Portfolio expenses	162 018	187 134
Interest expense	137 035	-
Transaction costs	137 450	116 767
Income tax	(9 108)	32 514
Deferred tax	6 047	1 993
Unutilised tax losses transferred to corporate	6 236	256
Commission paid by policyholders - ongoing	-	630
Fair value adjustment to third-party liabilities	155 820	387 055
Increase in investment contracts	15 254 975	10 288 659
	16 156 826	11 279 447

21. Profit from operations

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

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

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

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

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

22. Other investment income

	2021 R'000s	2020 R'000s
Dividend income	56	80
Fair value adjustment on investments	6 311	5 968
Foreign exchange (losses)/gains on operating activities	(2 211)	2 488
	4 156	8 536

23. Income tax

	2021 R'000s	2020 R'000s
Current tax - current year	97 054	89 584
Current tax - prior year under provision	1 125	804
Deferred tax - current year	(2 499)	1 096
	95 680	91 484
Reconciliation of tax rate	%	%
Standard rate (South Africa)	28.0	28.0
Non-deductible expenses	1.3	1.6
Non-deductible expenses (finance charges)	0.6	0.7
Capital gains tax differential in rates	-	(0.1)
Utilisation of assessed loss	(1.3)	-
Deferred tax asset not recognised - tax loss	-	0.2
Non-taxable income	(0.2)	-
Prior year under provision	0.3	0.2
Foreign tax rate differential	(0.3)	0.1
Effective rate	28.4	30.7

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

24. Earnings and headline earnings per share

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

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

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

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

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

25. Share-based payments

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

	2021		2020	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Scheme A				
Opening balance	2 362 815	R10.2	3 104 865	R10.0
Forfeited during the year	-	-	(263 483)	R14.5
Exercised during the year	(1 230 850)	R8.3	(478 567)	R5.0
Closing balance	1 131 965	R12.4	2 362 815	R10.2
Exercisable at year end	608 706	R14.8	365 224	R14.8

	2021	2020
Weighted average share price of options exercised during the year	R19.8	R11.2
Range of exercise price for share options at end of year	R8.0 - R15.0	R5.0 - R15.0
Weighted average remaining life of options (years)	0.5	0.7

All options issued prior to 1 October 2017 were valued using a Finite Difference Scheme under Geometric Brownian motion option pricing model. All options issued on or after 1 October 2017 were valued using a Black Scholes option pricing model.

	2021		2020	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Scheme B				
Opening balance	2 020 000	-	1 920 000	-
Allocated during the year	1 580 000	-	200 000	-
Forfeited during the year	-	-	(100 000)	-
Closing balance	3 600 000	-	2 020 000	-
Exercisable at year end	-	-	-	-

	2021	2020
Fair value of options allocated during the year	R17.9 million	R1.4 million
Weighted average remaining life of options (years)	2.7	3.1

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

	2021	2020
Historic volatility (%) *	43.8	43.3
Dividend yield (%)	5.4	6.5
Risk-free interest rate (%)	7.2	8.3
Expected life (years)	5.0	5.0
Share price (ZAR)	14.3	9.3

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

26. Cash flows from operations

	2021 R'000s	2020 R'000s
Profit before tax	336 627	297 566
Adjusted for:		
Amortisation	2 258	2 866
Foreign currency adjustments	223	-
Depreciation	26 198	23 317
Dividend income	(56)	(80)
Interest income	(19 595)	(26 315)
Finance costs	12 437	16 408
Share-based payment expense	8 377	4 109
Fair value adjustment on investments	(6 311)	(5 968)
Policyholder investment contract movements		
Deferred tax included in investment contract income	6 047	1 993
Investment contract income	(16 156 826)	(11 279 447)
Net purchase of investments linked to investment contract liabilities	(19 966 119)	(10 316 506)
Policyholder investment contracts	20 688 148	9 258 020
Third-party liabilities arising on consolidation of unit trust funds	980 911	995 208
Transfer to investment contract liabilities	16 156 826	11 279 447
Third-party liabilities arising on acquisition of unit trust funds	(1 708 988)	61 284
Cash flow before changes in working capital	360 157	311 902
Working capital changes		
Trade receivables	(13 390)	21 689
Other receivables	(2 686)	(1 097)
Amounts owing to clients and clearing houses	(333)	(355)
Trade and other payables	45 521	75 525
Cash flows from operations	389 269	407 664

27. Related party transactions

Identity of related parties

The Group has a related party relationship with its directors and entities outside of the Group that have common directors and shareholders to Sygnia Limited, namely Beret Properties Proprietary Limited ("Beret"), Widok Properties Proprietary Limited ("Widok"), Izibuko Holdings Proprietary Limited, Braavos Capital GP Limited ("Braavos GP") and Braavos Investment Advisers LP ("BIA"). MF Wierzycka and SJB Peile are directly and indirectly shareholders of Beret, Widok and Sygnia Limited. MF Wierzycka and A Crawford-Brunt are directly and indirectly shareholders of Sygnia Limited, equal shareholders of Braavos GP and equal partners in BIA. The Group entered into service transactions, in the ordinary course of business, with related parties.

Transactions with key management personnel

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

Cash-based remuneration

Cash-based remuneration	Directors' fees R'000s	Consulting fees R'000s	Salary R'000s	Bonus R'000s	Total R'000s
2021					
Executive Directors					
MF Wierzycka	-	703	3 197	-	3 900
DR Hufton	-	-	4 600	5 000	9 600
MA Sirkot *	-	-	3 000	3 380	6 380
WA Wierzycki (appointed 10 June 2021)	-	-	867	1 900	2 767
Non-executive directors					
HI Bhorat	788	43	-	-	831
G Cavaleros	733	-	-	-	733
A Crawford-Brunt (resigned 29 January 2021) *****	-	194	-	-	194
MH Jonas	1 233	-	-	-	1 233
J Boyd (appointed 29 July 2021)	100	-	-	-	100
R Sithubi (resigned 31 December 2020)	68	-	-	-	68
H Mayers (appointed 1 January 2021, resigned 29 July 2021)	403	-	-	-	403
C Appana	360	-	-	-	360
	3 685	940	11 664	10 280	26 569

	Directors' fees R'000s	Consulting fees R'000s	Salary R'000s	Bonus R'000s	Total R'000s
2020					
Executive directors					
MF Wierzycka	-	-	6 935	6 422	13 357
DR Hufton	-	-	4 000	4 000	8 000
MA Sirkot *	-	-	2 650	2 889	5 539
Non-executive directors					
HI Bhorat	567	-	-	-	567
G Cavaleros	600	-	-	-	600
A Crawford-Brunt *****	-	5 137	-	-	5 137
MH Jonas	1 033	-	-	-	1 033
IK Moyane (resigned 31 March 2020)	101	-	-	-	101
R Sithubi	270	-	-	-	270
C Appana (appointed 8 September 2020)	23	-	-	-	23
	2 594	5 137	13 585	13 311	34 627

Equity remuneration

Number of share options

	Date granted	SSOS A or B	Exercise price	Opening balance	Allocated during the year	Exercised during the year	Closing balance
2021							
Executive directors							
MF Wierzycka	30-Sep-16	A	14.96	800 000	-	(300 000)	500 000
DR Hufton	01-Feb-16	A	13.80	173 930	-	(65 224)	108 706
DR Hufton	01-Aug-19	B	-	200 000	-	-	200 000
DR Hufton	01-Oct-20	B	-	-	200 000	-	200 000
MA Sirkot	16-Jan-19	A	7.96	251 258	-	-	251 258
MA Sirkot	01-Oct-20	B	-	-	100 000	-	100 000
WA Wierzycki	01-Oct-20	B	-	-	200 000	-	200 000
				1 425 188	500 000	(365 224)	1 559 964
	Date granted	SSOS A or B	Exercise price	Opening balance	Allocated during the year	Forfeited during the year	Closing balance
2020							
Executive directors							
MF Wierzycka	30-Sep-16	A	14.96	1 000 000	-	(200 000)	800 000
DR Hufton	01-Feb-16	A	13.80	217 413	-	(43 483)	173 930
DR Hufton	01-Aug-19	B	-	200 000	-	-	200 000
MA Sirkot	16-Jan-19	A	7.96	251 258	-	-	251 258
				1 668 671	-	(243 483)	1 425 188

The fair value of the options allocated to DR Hufton, MA Sirkot and WA Wierzycki during the year was R2.2 million, R1.1 million and R2.2 million respectively.

	Number of shares held		Percentage held
	Direct beneficial interest	Indirect beneficial interest	
Directors' interest in Sygnia Limited			
At 30 September 2021			
MF Wierzycka ***	-	90 152 444	60.2%
DR Hufton ****	2 384 906	-	1.6%
MA Sirkot *****	500 000	-	0.3%
WA Wierzycki *****	710 330	379 034	0.7%
At 30 September 2020			
MF Wierzycka ***	-	93 698 018	63.1%
DR Hufton ****	2 384 906	-	1.6%
MA Sirkot *****	500 000	-	0.3%
A Crawford-Brunt	-	9 811 277	6.6%
HI Bhorat **	-	1 093 420	0.7%
MH Jonas **	-	455 591	0.3%

* The 2021 bonus included a final sign-on bonus of R1.13 million paid in June 2021. The 2020 bonus includes a sign on bonus of R0.89 million paid in June 2020.

** HI Bhorat and MH Jonas were beneficiaries in the Ulundi Trust. At 30 September 2020, the Ulundi Trust's debt was R8.24 per share.

*** Indirect beneficial interest relates to 44,532,444 (2020: 44,532,444) shares held by SJB Peile and 45,620,000 (2020: 45,620,000) shares held by The Zatoka Trust. The prior year also includes 3,545,574 shares held indirectly through Ulundi Holdings Proprietary Limited.

**** Mr DR Hufton used a loan from a subsidiary to purchase 1,322,761 shares in June 2019. His loan balance at year end of R10.5 million (2020: R12.7 million) is included in staff loans in note 9.

***** Mr MA Sirkot used a loan from a subsidiary to purchase 500,000 shares in June 2019. His loan balance at year end of R1.9 million (2020: R3.2 million) is included in staff loans in note 9.

***** Mr WA Wierzycki used a loan from a subsidiary to purchase 375,000 shares in June 2019. His loan balance at year end of R3.8 million is included in staff loans in note 9.

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

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

Transactions with related parties

Interest and capital repayments on loans receivable are disclosed in note 9. The capital distribution paid to directors' subsequent to year end is disclosed in note 31. Other transactions with related parties are as follows:

	2021 R'000s	2020 R'000s
Short term lease expenses - Beret and Widok	-	5 001
Lease payments relating to right of use asset - Beret and Widok	16 681	12 702
Administration fees received from BIA	13 455	7 924
Dividends paid to directors (including indirect shareholding)		
MF Wierzycka	112 691	67 614
DR Hufton	2 981	1 789
MA Sirkot	625	375
WA Wierzycki	599	-
A Crawford-Brunt	6 518	7 358

Balances with related parties

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

Administration fees receivable from BIA	-	4 327
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Refer to note 29 for general partner fees paid by a subsidiary to Braavos Capital I Limited Partnership and Braavos Capital II Limited Partnership.

28. Financial risk management

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

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

The committee meets on a quarterly basis.

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

Capital risk

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

Credit risk

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

Liquidity risk

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

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

2021	On demand R'000s	Due within 12 months R'000s	Due within 1 - 3 years R'000s	Total R'000s
Loan payable	-	66 957	-	66 957
Preference share liability	-	102 883	-	102 883
Third-party liabilities arising on consolidation of unit trust funds	2 972 447	-	-	2 972 447
Investment contract liabilities	123 659 093	-	-	123 659 093
Trade and other payables	-	335 649	-	335 649
Amounts owing to clearing houses	-	95 709	-	95 709
Amounts owing to clients	-	316 984	-	316 984
Lease liabilities	-	19 579	14 591	34 170
	126 631 540	937 761	14 591	127 583 892

2020	On demand R'000s	Due within 12 months R'000s	Due within 1 - 3 years R'000s	Total R'000s
Loan payable	-	4 447	92 583	97 030
Preference share liability	-	4 990	102 883	107 873
Third-party liabilities arising on consolidation of unit trust funds	3 700 524	-	-	3 700 524
Investment contract liabilities	102 970 945	-	-	102 970 945
Trade and other payables	-	221 457	-	221 457
Amounts owing to clearing houses	-	24 740	-	24 740
Amounts owing to clients	-	71 625	-	71 625
Lease liabilities	-	22 366	33 970	56 336
	106 671 469	349 625	229 436	107 250 530

Market risk

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

Assets under management/administration risk

A large portion of the Group's income is derived from fees levied on the market value of the investments that it manages and administers. As the fees are dependent on the daily market value of the investments, any market movements affect the Group accordingly. This risk is mitigated through the diversification of investment mandates such that revenue is not overly exposed to any single sector of the investment market. Investment management capacity is monitored to ensure that the performance of a specific investment is not unduly compromised through excessive scale. A 10% decrease is used when reporting AUM/AUA risk internally to key management personnel and represents management's assessment of the reasonably possible change in AUM/AUA within a financial period. A 10% downturn in the value of the assets that the Group manages and administers on behalf of clients would reduce the Group's revenue by R58.7 million (2020: R44.3 million) and profits before tax by approximately R51.7 million (2020: R37.1 million). This assumes that all other variables remain constant and the year end AUM/AUA has been constant throughout the year.

Sensitivity analysis for variable rate instruments

Interest rate risk

The Group is exposed to interest rate risk through its investments, loans receivable, cash and cash equivalents, loan payable and preference share liability. An increase of 300 basis points in interest rates at year end would have increased profit before tax by R20.1 million (2020: R13.9 million). A decrease of 300 basis points in interest rates at year end would have had the equal but opposite effect. This assumes that all other variables remain constant and the year end balance has been constant throughout the year.

Currency risk

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

	2021 R'000s	2020 R'000s
USD	6 343	4 467
EUR	3 819	1 466
GBP	599	496
JPY	945	712
	11 706	7 141

A 10% depreciation in the ZAR exchange rate would have increased profit before tax by R1.2 million (2020: R0.7 million). A 10% appreciation in the ZAR exchange rate would have had the equal but opposite effect.

Price risk

The Group is exposed to price risk in respect of its investments. A 5% increase in the price of the investments, with other variables held constant, would have increased profit before tax by R16.1 million (2020: R2.6 million). A 5% decrease in the price of the investments would have had the equal but opposite effect.

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

A subsidiary of the Group, Sygnia Life Limited is a linked insurance company and issues linked policies to policyholders (where the value of policy benefit is directly linked to the fair value of the supporting assets), and as such does not expose the business to the market risk of fair value adjustments on the financial asset, as this risk is contractually assumed by the policyholder. Sygnia Securities Proprietary Limited (subsidiary) provides stockbroking services to clients, which results in significant working capital fluctuations due to the timing of the close of the JSE in terms of client settlements (amounts owing to/by clearing houses/clients). In order to evaluate the consolidated financial position, the Group segregates the statement of financial position and the statement of profit or loss and other comprehensive income between corporate (own balances) and third-party (client-related balances). Third-party balances represent investments linked to investment contract liabilities, third-party liabilities arising on consolidation of unit trust funds, investment contract liabilities, related deferred tax liabilities and unsettled trades. During the current period, the Group no longer controls the Sygnia 4th Industrial Revolution Global Equity Fund, Sygnia Money Market Fund and Sygnia Health Innovation Global Equity Fund ("funds") and therefore the funds are no longer consolidated. This resulted in a reduction of investments linked to investment contract liabilities and third-party liabilities arising on consolidation of unit trust funds in the consolidated statement of financial position amounting to R1.7 billion. The Group still retains significant influence over these funds with a total investment balance of R1.5 billion at 30 September 2021. In addition, the Group has significant influence over Sygnia Divi Index Fund, Sygnia Skeleton Balanced 40 Fund and Sygnia Skeleton Balanced 60 Fund with a total investment balance of R0.6 billion. WealthFoundry (Pty) Ltd, a subsidiary of the Group, met the criteria for control during the period and has therefore been consolidated. Sygnia Ventures LP, a partnership registered in England and Wales, met the criteria for control during the period. The consolidation had no impact on the consolidated statement of financial position and the consolidated statement of profit or loss and other comprehensive income as the partnership is recognised within investments linked to investment contract liabilities and investment contract liabilities.

Statement of financial position

As at 30 September 2021				As at 30 September 2020			
	Consolidated R'000s	Corporate Balances R'000s	Third-party Balances R'000s	Consolidated Balances R'000s	Corporate Balances R'000s	Third-party Balances R'000s	
Assets							
Intangible assets	412 360	412 360	-	428 526	428 526	-	
Property and equipment	21 877	21 877	-	27 479	27 479	-	
Loans receivable	50 113	50 113	-	55 114	55 114	-	
Right-of-use assets	28 659	28 659	-	47 894	47 894	-	
Deferred tax assets	8 155	8 155	-	6 046	6 046	-	
Investments linked to investment contract liabilities	126 641 861	-	126 641 861	106 675 742	-	106 675 742	
Other receivables	6 920	6 920	-	4 234	4 234	-	
Trade receivables	99 629	99 629	-	73 415	73 415	-	
Investments	322 052	322 052	-	339 244	339 244	-	
Amounts owing by clearing houses	2 826	179	2 647	831	-	831	
Amounts owing by clients	410 046	-	410 046	95 380	-	95 380	
Cash and cash equivalents	460 481	460 481	-	259 683	259 683	-	
Total assets	128 464 979	1 410 425	127 054 554	108 013 588	1 241 635	106 771 953	
Equity							
Stated capital and reserves	781 098	781 098	-	702 841	702 841	-	
Total equity	781 098	781 098	-	702 841	702 841	-	
Liabilities							
Loan payable	65 276	65 276	-	90 366	90 366	-	
Preference share liability	100 000	100 000	-	100 000	100 000	-	
Lease liabilities - Non-current	14 036	14 036	-	32 057	32 057	-	
Deferred tax liabilities	80 154	69 833	10 321	74 039	69 765	4 274	
Third-party liabilities arising on consolidation of unit trust funds	2 972 447	-	2 972 447	3 700 524	-	3 700 524	
Investment contract liabilities	123 659 093	-	123 659 093	102 970 945	-	102 970 945	
Tax payable	26 387	26 387	-	1 662	1 662	-	
Lease liabilities - Current	18 146	18 146	-	18 997	18 997	-	
Trade and other payables	335 649	335 649	-	225 792	225 792	-	
Amounts owing to clearing houses	95 709	-	95 709	24 740	155	24 585	
Amounts owing to clients	316 984	-	316 984	71 625	-	71 625	
Total liabilities	127 683 881	629 327	127 054 554	107 310 747	538 794	106 771 953	
Total equity and liabilities	128 464 979	1 410 425	127 054 554	108 013 588	1 241 635	106 771 953	

Statement of profit or loss and other comprehensive income

Year ended 30 September 2021

Year ended 30 September 2020

	Consolidated R'000s	Corporate Balances R'000s	Third-party Balances R'000s	Consolidated Balances R'000s	Corporate Balances R'000s	Third-party R'000s
Revenue	737 198	737 198	-	661 009	661 009	-
Operating expenses	(411 885)	(411 885)	-	(381 886)	(381 886)	-
Profit from operations	325 313	325 313	-	279 123	279 123	-
Investment contract income	16 156 826	-	16 156 826	11 279 447	-	11 279 447
Transfer to investment contract liabilities	(16 156 826)	-	(16 156 826)	(11 279 447)	-	(11 279 447)
Interest income	19 595	19 595	-	26 315	26 315	-
Other investment income	4 156	4 156	-	8 536	8 536	-
Finance costs	(12 437)	(12 437)	-	(16 408)	(16 408)	-
Profit before tax	336 627	336 627	-	297 566	297 566	-
Income tax	(95 680)	(95 680)	-	(91 484)	(91 484)	-
Profit after tax	240 947	240 947	-	206 082	206 082	-
Foreign currency translation reserve	223	223	-	(6)	(6)	-
Total comprehensive income for the year	241 170	241 170	-	206 076	206 076	-

29. Fair value

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

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

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

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

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

Level 2 - fair value is derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Level 2 investments relate to unlisted private equity investment, interest income securities, collective investment scheme, hedge funds, investments in insurance policies, investment contract portfolio debtors, investment contract portfolio accrued interest and cash and cash equivalents. The unlisted private equity investment was valued at the last traded price, which occurred during the month of September 2021.

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

	Level 1 R'000s	Level 2 R'000s	Level 3 R'000s	Total R'000s
2021				
Investments linked to investment contract liabilities	29 917 979	92 914 524	3 809 358	126 641 861
Investments	-	322 052	-	322 052
Third-party liabilities arising on consolidation of unit trust funds	(2 102 386)	(870 061)	-	(2 972 447)
Investment contract liabilities	(27 815 593)	(92 034 142)	(3 809 358)	(123 659 093)
2020				
Investments linked to investment contract liabilities	24 754 167	80 016 871	1 904 704	106 675 742
Investments	-	339 244	-	339 244
Third-party liabilities arising on consolidation of unit trust funds	(2 332 598)	(1 367 926)	-	(3 700 524)
Investment contract liabilities	(22 417 296)	(78 648 945)	(1 904 704)	(102 970 945)

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

The level 3 investment relates to investments in partnerships registered in Guernsey, Braavos Capital I LP (BC I LP) and Braavos Capital II LP (BC II LP) and a limited liability partnership registered in the UK, Sygnia Ventures LP. The partnerships are administered and valued by an independent administrator. On a quarterly basis, the independent administrator provides adjusted net asset values (assets less liabilities) to each partner. Assets include listed and unlisted investments. Liabilities include carried interest accruals amounting to GBP 8.8 million (2020: GBP 0). Carried interest is only payable if certain performance conditions are met when a fund is wound up. A summary of the valuation policy applied to listed and unlisted investments is as follows:

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

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

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

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

* Mandates directly secured by Braavos Investment Advisers LP.

30. Principal subsidiaries and consolidated structures

Name of company	Principal place of business	Percentage of equity held 2021	Percentage of equity held 2020	Functional currency	Nature of business
Sygnia Asset Management Proprietary Limited	South Africa	100	100	ZAR	Asset Management
Sygnia Collective Investments (RF) Proprietary Limited	South Africa	100	100	ZAR	CIS Management Company
Sygnia Life Limited	South Africa	100	100	ZAR	Long Term Insurance
Sygnia Financial Services Proprietary Limited	South Africa	100	100	ZAR	Linked investment service provider
Sygnia Securities Proprietary Limited	South Africa	100	100	ZAR	Securities trading
Sygnia Benefit Administrators Proprietary Limited	South Africa	100	100	ZAR	Employee benefit administrator
Sygnia Itrix (RF) Proprietary Limited	South Africa	100	100	ZAR	ETF Management Company
Sygnia Asset Management UK Limited	England & Wales	100	100	GBP	General Partner
WealthFoundry Proprietary Limited	South Africa	51	51	ZAR	Linked investment service provider

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

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

- Sygnia International Flexible Fund of Funds
- Sygnia Skeleton International Equity Fund of Funds
- Sygnia FAANG Plus Equity Fund
- Sygnia Enhanced Income Fund

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

31. Events subsequent to the reporting date

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

As explained in note 13, the Ulundi broad-based share scheme was unwound in September 2021. Dividends, net of withholding taxes, of R5.9 million and R2.5 million were distributed to HI Borat and MH Jonas respectively in October 2021.

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

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

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

32. COVID-19 pandemic

The COVID-19 pandemic has had a significant impact on the South African and international markets. The Group continues to monitor the impact of the markets on its revenue and will adjust its cost base if required. The Group has considered the impact of COVID-19 on its financial assets at amortised cost. Trade receivables continue to be collected directly from clients' investments and unit trust funds. No receivables are past due. Cash and cash equivalents continue to be held with high credit quality financial institutions. The Group has concluded that the fair value of financial assets at amortised cost is equal to its carrying amount and consequently, no impairment is required.

33. Contingent liability

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

Analysis of shareholding

as at 30 September 2021

Distribution of shareholders

	Number of shareholders	Number of shares
1 - 1000 Shares	2 784	541 326
1001 - 10 000 Shares	1 094	3 988 019
10 001 - 100 000 Shares	331	9 317 155
100 001 - 1 000 000 Shares	54	16 094 807
1 000 001 shares and over	10	119 691 917

Shareholders with beneficial interest of 5% or more in shares

	Number of shares
The Zatoka Trust	45 620 000
SJB Peile	44 532 444
Clifford Street Holdings Ltd	9 311 277

Public/non-public shareholders

	Percentage	Number of shareholders	Number of shares
Non-Public shareholders			
Directors (including indirect shareholding)	62.9%	6	94 126 714
Shares held by employees	1.4%	30	2 025 648
Public shareholders	35.7%	4 237	53 480 862



Audited Consolidated Annual Financial Statements 2021

Sygnia Limited

Incorporated in the Republic of South Africa

Registration number: 2007/025416/06

JSE share code: SYG

ISIN code: ZAE000208815

Sponsor: The Standard Bank of South Africa Limited

Cape Town

7th Floor, The Foundry
Cardiff Street
Green Point
8001
South Africa
T: +27(0) 21 446 4940
F: +27(0) 21 446 4950
E: info@sygnia.co.za

Johannesburg

Unit 40, 6th Floor
Katherine and West Building
West Street
Sandton
2196
T: +27 (0) 10 595 0550
F: +27 (0) 86 206 5173
E: info@sygnia.co.za

Durban

Office 2, 2nd Floor
Ridgeview
1 Nokwe Avenue
Ridgeside
Umhlanga Ridge
4319
T: +27 (0) 31 001 0650
F: +27 (0) 86 206 4421
E: info@sygnia.co.za

London

24/25 Grosvenor Street
Mayfair
London
W1K 4QN
United Kingdom
T: +44 (0) 203 978 8673
E: info@sygnia.co.za
