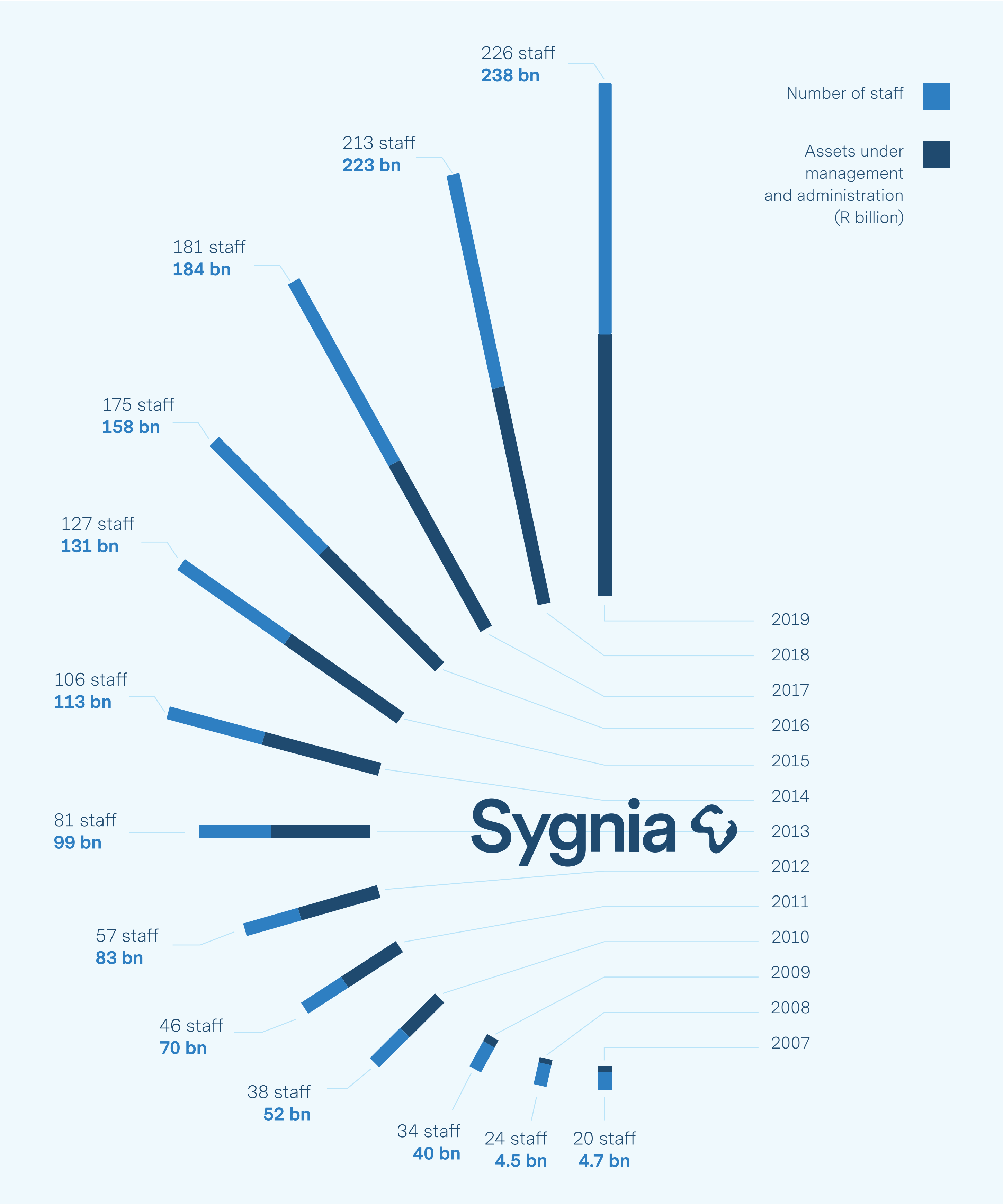
Audited Summarised Consolidated Financial Statements

for the Year Ended 30 September 2019

Sygnia

Contents

13 years of growth



General information

Country of incorporation and domicile

South Africa

Nature of business and principal activities

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

Directors

Name	Date of appointment	Date of resignation
HI Bhorat (Chairman)#	11/06/2015	
G Cavaleros (Lead Independent)*#	28/06/2019	
MF Wierzycka (CEO)	17/09/2007	
DR Hufton (Deputy CEO)	01/09/2018	
M Sirkot (Financial Director)	16/01/2019	
IK Moyane *#	10/09/2015	
MH Jonas #	01/09/2018	
A Crawford-Brunt *#	01/11/2018	
R Sithubi *#	26/02/2019	
SA Zinn *#	11/06/2015	31/12/2018
M Buckham (CFO)	01/02/2017	31/12/2018
KT Hopkins *#	11/06/2015	25/02/2019

* Independent # Non-executive

/ General information

Registered office:

7th Floor, The Foundry
Cardiff Street
Green Point
8001

Postal address:

PO Box 51591
Waterfront
8002

Auditor:

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

Company secretary:

G MacLachlan
Appointed: 01/11/2016

Company registration number:

2007/025416/06

Sponsor:

The Standard Bank of South Africa Limited

JSE share code:

SYG

ISIN code:

ZAE000208815

Directors' commentary

The directors have pleasure in presenting their report on the activities of the Group for the year ended 30 September 2019.

Main business and operations

Highlights

- Assets under management and administration of R238.4 billion as at 30 September 2019 (2018: R222.6 billion), up 7.1%.
- Revenue of R508.1 million (2018: R421.9 million), up 20.4%.
- Profit after tax of R125.9 million (2018: R101.0 million), up 24.7%.
- Headline earnings per share of 87.9 cents (2018: 69.2 cents), up 27.0%, and diluted headline earnings per share of 87.3 cents (2018: 68.4 cents), up 27.6%.
- Total dividend per share of 60.0 cents (2018: 60.0 cents).

Financial performance

Despite 2019 being a very challenging and economically turbulent environment for cyclical businesses such as Sygnia, the company's assets under management and administration increased by 7.1% to R238.4 billion as at 30 September 2019 (2018: R222.6 billion). During the same period the FTSE/JSE All Share Index returned 1.9%, the JSE All Bond Composite Index 11.4% and the MSCI World Index, in SA Rands, 9.2%. 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 mass retrenchments in South Africa.

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

In addition, the Group has launched new products and services in line with its interpretation of customers' demands and regulatory trends. The resulting revenue has largely replaced the management and performance fees given up as a result of the closure of Sygnia's funds of hedge funds products and a decrease in stockbroking revenue as a result of subdued market conditions.

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 seventh largest umbrella fund offering in South Africa, while Sygnia Itrix is the second largest provider of ETFs listed on the JSE.

In terms of financial performance, total revenues, at R508.1 million, rose by 20.4% (2018: R421.9 million), while total expenses, at R339.4 million, increased by 21.7% (2018: R278.9 million). The increase in expenses was primarily driven by higher staff costs associated with increased business activity, once-off expenses associated with entering the UK market, an impairment to the Bitcoin exchange project, and further investment in systems and technology. Finance costs incurred during the period amounted to R12.4 million (2018: R14.1 million), which were a direct result of funding the acquisition of Sygnia Itrix. The decrease from the prior period is due to restructuring the funding from a bridge loan to preference shares. The Group incurred a loss on invested capital of R0.7 million (2018: R7.0 million) during the period under review. Given the significant impact of capital movements on the Group's financial results, all equity and currency investments of its capital have been substituted with fixed interest investments. This represents a permanent change in the Group's approach to the management of its capital.

Net profit after tax increased by 24.7% to R125.9 million (2018: R101.0 million) in spite of difficult market conditions.

Going forward, the Group is preparing for the implementation of a number of key initiatives, which will require additional expenditure on technology solutions to ensure that Sygnia continues to offer leading fintech solutions to clients. Its offshore expansion is not expected to contribute materially to the results for the foreseeable future, but is regarded as an exciting opportunity to diversify its revenues.

Corporate strategy

Sygnia has a very clear business strategy. We offer:

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

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

Regulatory changes

On the regulatory front, much has changed for asset managers and financial services companies. The Default Regulations, which require boards of trustees of retirement funds, among others, to consider passive investing, became mandatory as from 1 March 2019, as did ASISA’s Retirement Savings Cost (“RSC”) Disclosure directive. All asset managers and umbrella funds are now obligated to disclose both total expense ratios (“TERs”) and transaction costs (“TCs”) to the boards of trustees of retirement funds. This requirement has been a feature of the retail landscape for a number of years, but the retirement fund industry has managed to hide in the shadows; no longer. Finally, the FSCA issued a directive requiring retirement funds to incorporate ESG factors when designing investment strategies. The pressure for stand-alone funds to move into umbrella fund arrangements is also intensifying, with boards of trustees facing increasingly onerous legal and regulatory obligations.

Sygnia is very well positioned for all of these changes. As the lowest-cost provider of financial savings and investment solutions in South Africa, we are not worried about a margin squeeze, and we have always supported full fee transparency across our product ranges and provided this information to our clients well in advance of regulatory requirements. Our 13-year track record in managing passive strategies, both domestically and offshore, stands us in good stead to attract future flows. Our administration platforms allow for seamless integration of institutional and retail solutions, working well to deliver on the requirements of default regulations, while innovative product strategies address our investors’ demand for ESG investing.

/ Director's report

Market conditions

It is impossible to evaluate Sygnia's financial performance without analysing the prevailing market conditions which underpin that performance. As a cyclical business, Sygnia's returns are highly dependent on economic growth, equity and fixed interest market returns, currency movements and investor sentiment.

In summary the past year has proven to be extremely challenging for all emerging markets, including South Africa. This has made the trading environment complex to navigate.

No one will find it surprising that the fundamentals of the South African economy are getting weaker, feeling the effects of rising unemployment, flat-lining growth, electricity shortages and fading consumer and investor confidence. Nor has significant progress yet been made in bringing those involved in corrupt activities to account, and the taxpayer base continues to shrink. Against this backdrop, there has been a significant increase in retrenchments, as corporates focus on cost cutting, and the money paid out as benefits is not being recycled back into savings products but is instead being used to pay for daily living expenses. This will be very difficult to recover from and will lead to an increased financial burden on state aid.

The financial year had many other ups and downs. The last quarter of 2018 ended sharply down on a massive sell-off of global equities in response to the escalation of the trade war between the US and China and fears about valuations of technology stocks. This reversed in the first quarter of 2019, with the S&P500 Index returning 11.1% in ZAR terms for the 12 months to 30 September 2019. The same cannot be said about the South African equity market, however, which saw a 1.9% increase as foreign investors pulled money from emerging markets, domestic investors switched from equities to fixed interest strategies and a number of companies delisted from the JSE. The JSE All Share Index returns now just barely beat core inflation over five years, while the rand ended the year at R15.14 to the US dollar. South Africa's credit-worthiness is hanging by a single thread, as Moody's held off on cutting South Africa's investment rating to junk but changed its outlook from stable to negative. Given a sad lack of economic policies with which to boost growth, the seeming inability of the government to deal with the ballooning public sector wage bill and challenges at Eskom – both in terms of its debt levels and the security of electricity provision – it is unlikely that South Africa will retain its investment rating. As it takes countries an average of 15 years to regain credit-worthiness after being downgraded to junk, in such a scenario the rand is likely to weaken further in the face of forced outflows from South Africa, while our borrowing costs are likely to rise, leaving less money for healthcare, education and other poverty alleviating measures.

The only positive factor for South Africa is that central banks worldwide have reverted back to quantitative easing policies, including cutting interest rates to negative levels and pumping more cash into the system in an effort to revive flagging growth and consumer spending. This is creating another bubble, as asset values increase beyond reasonable levels in the face of a wave of capital seeking higher yields and higher returns. Interestingly, most of that capital is looking for investments outside of the traditional equity markets this time, with private equity and venture capital funds being net beneficiaries. Unfortunately, little of that capital finds its way into the hands of consumers.

In addition, advances in technology are eliminating jobs at a rapid pace, and the world is facing a deflationary crisis with no end in sight. The consequent rising wealth inequality has already manifested itself in both social unrest – as witnessed in Hong Kong, Egypt, Lebanon and a number of other countries – and increasing levels of nationalism and protectionism, notably in the US and UK among developed markets. Volatility and instability are likely to continue, with the net effect that many investors will prefer to keep their assets in cash than in the markets.

From a more top-down perspective, we face two massive challenges: climate change and shifts in demographics. The global protests against climate change have reached a crescendo and are unlikely to abate. Meanwhile, baby boomers are living longer than expected due to improvements in health care provision, and fewer people are entering the workforce, so governments are heading for a liquidity crisis to meet their pension obligations. We need a new paradigm that will reshape capitalism into a more equitable system, one that recognises that the singular maximisation of profit is not a sustainable global strategy.

Stated capital

Sygnia Limited had 152 242 847 (2018: 154 955 778) shares in issue at the end of the year. 3 091 500 shares were repurchased by the Company. 378 569 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 2019 of 35.0 cents per share has been declared out of income reserves, resulting in a net dividend of 28.0 cents per share for shareholders after Dividends Tax ("DT"). Together with the interim gross dividend of 25.0 cents per share, this amounts to a total gross dividend of 60.0 cents per share.

Last day to trade: Friday, 20 December 2019
Shares trade ex dividend: Monday, 23 December 2019
Record date: Friday, 27 December 2019
Payment date: Monday, 30 December 2019

Share certificates may not be dematerialised or rematerialised between Monday, 23 December 2019, and Friday, 27 December 2019, both dates inclusive. Dividends declared after 31 March 2012 are subject to DT, where applicable. In terms of the DT, the following additional information is disclosed:

- The local DT rate is 20%;
- The number of ordinary shares in issue at the date of this declaration is 152 242 847;
- Sygnia's tax reference number is 9334/221/16/6

Approval of audited summarised consolidated financial statements

These audited summarised consolidated financial statements were approved by the board of directors on 3 December 2019.

Audited summarised consolidated statement of financial position

as at 30 September 2019

	Notes	2019 R'000s	2018 R'000s
Assets			
Intangible assets	6	431 392	436 113
Property and equipment		32 789	29 125
Loans receivable	7	53 232	12 738
Deferred tax assets		9 352	7 125
Tax receivable		2 551	8 486
Investments linked to investment contract liabilities		92 470 973	79 832 055
Other receivables		3 137	2 775
Trade receivables		93 814	57 748
Investments		258 448	262 428
Amounts owing by clearing houses		-	9 317
Amounts owing by clients		306 294	46 777
Cash and cash equivalents		174 960	157 510
Total assets		**93 836 942**	**80 862 197**
Equity			
Stated capital	8	641 494	665 901
Retained earnings		209 091	170 819
Other reserves		(211 305)	(212 457)
Total equity		**639 280**	**624 263**
Liabilities			
Loan payable	9	50 365	-
Preference share liability	10	135 000	150 000
Third-party liabilities arising on consolidation of unit trust funds		2 644 032	1 567 784
Investment contract liabilities		89 824 662	78 107 787
Deferred tax liabilities		75 153	74 847
Tax payable		10 706	5 319
Trade and other payables		150 941	276 049
Amounts owing to clearing houses		180 985	2 550
Amounts owing to clients		125 818	53 540
Bank overdraft		-	58
Total liabilities		**93 197 662**	**80 237 934**
Total equity and liabilities		**93 836 942**	**80 862 197**

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

for the year ended 30 September 2019

	Notes	2019 R'000s	2018 R'000s
Revenue	11	508 107	421 913
Operating expenses	11	(339 394)	(278 886)
Profit from operations	**11**	**168 713**	**143 027**
Investment contract income		5 982 501	4 954 592
Transfer to investment contract liabilities		(5 982 501)	(4 954 592)
Interest income		26 266	26 432
Other investment loss		(701)	(6 979)
Finance costs		(12 399)	(14 133)
Profit before tax		**181 879**	**148 347**
Income tax		(55 938)	(47 378)
Profit after tax		**125 941**	**100 969**
Items that may subsequently be reclassified to profit or loss:			
Foreign currency translation reserve		(18)	-
Total comprehensive income for the year		**125 923**	**100 969**
Earnings per share (cents)	12		
Basic		86.4	69.2
Diluted		85.8	68.4

Audited summarised consolidated statement of changes in equity

for the year ended 30 September 2019

	Notes	Stated capital R'000s	Other reserves R'000s	Share-based payment reserve R'000s	Retained earnings R'000s	Total equity R'000s
Balance at 1 October 2017		**665 939**	**(252 884)**	**37 654**	**157 473**	**608 182**
Total comprehensive income for the year		-	-	-	100 969	100 969
Dividends paid *		-	-	-	(87 623)	(87 623)
Share-based payment expense		-	-	2 773	-	2 773
Transaction costs on issue of ordinary shares		(38)	-	-	-	(38)
Balance at 30 September 2018		**665 901**	**(252 884)**	**40 427**	**170 819**	**624 263**
Total comprehensive income for the year		-	(18)	-	125 941	125 923
Dividends paid **		-	-	-	(87 669)	(87 669)
Share-based payment expense		-	-	2 166	-	2 166
Ordinary shares repurchased	8	(27 311)	-	-	-	(27 311)
Issue of shares relating to share options exercised	8	1 908	-	-	-	1 908
Transfer between share based payment reserve and stated capital for share options exercised		996	-	(996)	-	-
Balance at 30 September 2019		**641 494**	**(252 902)**	**41 597**	**209 091**	**639 280**

* Dividends per share – 60 cents

** Dividends per share – 60 cents

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

Audited summarised consolidated statement of cash flows

for the year ended 30 September 2019

	Notes	2019 R'000s	2018 R'000s
Cash flows from operating activities			
Cash flows from operations		183 040	78 105
Dividends received		85	989
Interest received		25 689	27 719
Interest paid		(11 220)	(17 572)
Tax paid		(47 402)	(63 189)
Net cash flows from operating activities		**150 192**	**26 052**
Cash flows from investing activities			
Additions to property and equipment		(12 847)	(7 343)
Additions to intangible assets		(4 297)	(20 939)
Loans receivable		(40 494)	-
Purchase of investments		(81 230)	(496 875)
Proceeds on sale of investments		84 257	441 454
Net cash flows from investing activities		**(54 611)**	**(83 703)**
Cash flow from financing activities			
Dividends paid		(87 669)	(87 623)
Issue of ordinary shares	8	1 908	-
Issue of preference shares		-	160 000
Preference share redemption		(15 000)	(10 000)
Transaction costs on issue of ordinary shares	8	-	(38)
Ordinary shares repurchased	8	(27 311)	-
Loan advanced		50 000	-
Loan repaid		-	(159 692)
Net cash flows from financing activities		**(78 072)**	**(97 353)**
Net change in cash and cash equivalents		**17 509**	**(155 004)**
Cash and cash equivalents at beginning of the year		157 451	312 455
Cash and cash equivalents at end of year		**174 960**	**157 451**

Note to the statement of cash flows:

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

Notes to the audited summarised consolidated financial statements

for the year ended 30 September 2019

1. Basis of preparation

The audited summarised consolidated financial statements are prepared in accordance with the requirements of the JSE Limited Listings Requirements for abridged reports, and the requirements of the Companies Act, 71 of 2008, applicable to summary financial statements. The Listings Requirements require preliminary reports to be prepared in accordance with the framework concepts, and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS") and Financial Pronouncements as issued by the Financial Reporting Standards Council and to also, as a minimum, contain the information required by IAS 34 Interim Financial Reporting ("IAS 34"). The accounting policies and methods of computation applied in the preparation of the audited summarised consolidated financial statements are in accordance with International Financial Reporting Standards and are consistent with those accounting policies applied in the preparation of the previous year's consolidated annual financial statements, other than for the adoption of the following accounting standards: IFRS2 – Share based payments; IFRS 9 – Financial instruments; and IFRS 15 – Revenue from contracts with customers as set out in more detail in 5.2 below. The audited summarised consolidated financial statements and the full set of consolidated annual financial statements were prepared under the supervision of M Sirkot CA (SA) and approved by the board of directors on 3 December 2019.

2. Audit opinion

The auditors, Mazars, have issued their unmodified audit opinion on the consolidated financial statements for the year ended 30 September 2019. The audit was conducted in accordance with International Standards on Auditing. These summarised financial statements, which have not themselves been audited, have been derived from the consolidated financial statements, with which they are consistent in all material respects. Copies of the audit reports and the full consolidated financial statements are available for inspection at the company's registered office. The summarised consolidated financial statements are the responsibility of the directors and is only a summary of the information contained in the consolidated financial statements. Any investment decisions by investors and/or shareholders should be based on consideration of the consolidated financial statements on the Company's website (www.sygnia.co.za).

Any reference to future financial performance included in this announcement has not been reviewed or reported on by the company's auditors.

3. Use of estimates and judgements

The preparation of the audited summarised consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and the reporting amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis by the directors and management. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Significant estimates made by management in the application of IFRS relates to the impairment of intangible assets, the observable market data used to measure the share option expense, the valuation of level 3 financial assets and the recognition of deferred tax assets for subsidiaries with tax losses. Significant judgements include the consolidation of the Group's collective investment schemes and the classification of investment contract liabilities as financial liabilities. There were no changes to judgements from the prior year.

4. Segment information

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

5. Accounting policies

5.1 Forthcoming requirements

There are new or revised Accounting Standards and Interpretations in issue that are not yet effective. The Standard that is applicable to the business of the Group is as follows:

- IFRS 16: Leases - Effective for annual periods beginning on or after 1 January 2019

The scope of this standard includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. IFRS 16 requires lessees to account for all leases under a single on-balance sheet model in a similar way to finance leases under IAS 17. The Group has assessed the impact that this Standard will have on its financal statements for the year ending 30 September 2020. Assuming all leases are extended to 30 September 2024 and the Group adopts the modified retrospective approach, on 1 October 2019 the Group will recognise an asset and liability of R90.7 million. R20.1 million of operating lease expense that would have been recognised in terms of current accounting standards in the statement of profit or loss and other comprehensive income for the year ending 30 September 2020, will be replaced by a depreciation charge of R18.1 million and finance costs of R8.4 million. A deferred tax asset and corresponding credit to the statement of profit or loss and other comprehensive income of R1.5 million will also be recognised.

5.2 New standards adopted

During the current year, IFRS 2 - Share-based payments (IFRS 2), IFRS 9 - Financial instruments (IFRS 9) and IFRS 15 - Revenue from contracts with customers (IFRS 15) were implemented by the Group. The Group has applied these standards retrospectively without restating comparative figures. There was no impact to the Group on adopting IFRS 2. The impact of adopting IFRS 9 and IFRS 15 is explained below.

Impact of adopting IFRS 9

IFRS 9 introduces new measurement categories for financial assets, as well as a new impairment model. 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. In the prior year, investments linked to investment contract liabilities and investments were classified as financial assets designated at fair value through profit or loss and financial assets held for trading respectively in terms of IAS 39 - Financial Instruments: Recognition and Measurement (IAS 39). The only change from IAS 39 to IFRS 9 has been on the classification of these financial assets; the initial recognition and subsequent measurement has not changed. 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. Receivables with a short duration are not discounted. In the prior year, these financial assets were classified as loans and receivables in terms of IAS 39. The only change from IAS 39 to IFRS 9 has been on the classification of these financial assets; the initial recognition and subsequent measurement has not changed.

The adoption of IFRS 9 did not impact the classification of the Group's financial liabilities.

IFRS 9's new impairment model did not significantly impact the Group. The Group's receivables consist mainly of its loans receivable, trade receivables, amounts owing by clients and cash and cash equivalents. A significant portion of the Group's loans receivable are secured by collateral, limiting the Group's exposure to credit risk for these financial assets. The credit risk with regards to trade receivables represented by fees receivable is limited where fees receivable are collected directly from clients' investments or from the unit trust funds that the Group manages. Amounts owing by clients are settled within three days after the transaction occurred in terms of the clearing house rules of the JSE. The Group's cash and cash equivalents are considered low credit risk, being BBB rated.

Impact of adopting IFRS 15

Due to the nature of the Group's revenue, IFRS 15 has not had a significant impact on the Group's revenue recognition. Revenue comprises financial service fees (investment management fees, investment administration fees, general partner fees and trading income). Investment management fees, investment administration fees and general partner fees continue to be recognised over time on a daily basis as services are rendered. Variable consideration comprises investment management fees that are performance based. Revenue is recognised only to the extent that it is highly probable that no significant revenue reversal will occur, and such amounts are only included based on the expected value or most likely outcome method. More specifically, revenue is recognised when all contractual provisions as agreed with clients have been met and the performance obligation has been satisfied. Due to inherent volatility and uncertainties in financial markets, this usually occurs when the fee crystallises, or on redemption of the client's investment. Prior to the adoption of IFRS 15, performance fees were recognised when the Group was unconditionally entitled to the revenue and no contingency with respect to future performance existed, which also occurred upon fee crystallisation. Trading income consists of brokerage income, securities lending income and treasury income. Brokerage income continues to be recognised at a point in time on the day that the purchase or sale of financial instruments is concluded, regardless of when settlement takes place. Securities lending income and treasury income continue to be recognised over time on a daily basis as services are rendered. The general partner fee relates to fees received by a UK subsidiary for its appointment as a general partner to a UK private equity partnership in the current financial year. The partnership has an investment in an unlisted company, Oxford Sciences Innovation plc.

Where the Group recognises revenue over time, this is in general due to the Group performing and the Group 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.

6. Intangible assets

2019	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	16 311	34 499	1 170	455 563
Additions	-	-	865	3 432	-	4 297
Closing balance	**149 698**	**253 885**	**17 176**	**37 931**	**1 170**	**459 860**
Accumulated amortisation and impairment						
Opening balance	(31)	-	(3 536)	(15 766)	(117)	(19 450)
Amortisation	-	-	(1 530)	(4 370)	(117)	(6 017)
Impairment	-	-	-	(3 001)	-	(3 001)
Closing balance	**(31)**	**-**	**(5 066)**	**(23 137)**	**(234)**	**(28 468)**
Carrying amount	**149 667**	**253 885**	**12 110**	**14 794**	**936**	**431 392**

2018	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	14 176	15 695	1 170	434 624
Additions	-	-	2 135	18 804	-	20 939
Closing balance	**149 698**	**253 885**	**16 311**	**34 499**	**1 170**	**455 563**
Accumulated amortisation and impairment						
Opening balance	(31)	-	(1 966)	(12 568)	-	(14 565)
Amortisation	-	-	(1 570)	(3 198)	(117)	(4 885)
Closing balance	**(31)**	**-**	**(3 536)**	**(15 766)**	**(117)**	**(19 450)**
Carrying amount	**149 667**	**253 885**	**12 775**	**18 733**	**1 053**	**436 113**

Goodwill consists mainly of amounts relating to two separate cash generating units ("CGUs"), namely Sygnia Umbrella Retirement Fund ("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 (2018: R18.5 million) and to Sygnia Itrix is R130.8 million (2018: R130.8 million).

Computer software has approximately one year remaining of its useful life; customer relationships have approximately seven years remaining of their useful life; and the licence has eight years remaining of its useful life.

Critical accounting estimates and judgements

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

Impairment evaluation of goodwill

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

	SURF %	Sygnia Itrix %
Risk-free rate (R186 Government bond)	8.3	8.3
Tax rate	28.0	28.0
Growth rate	4.1	4.5
Terminal growth rate	4.1	4.1
Discount rate	20.6	20.1

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

Impairment evaluation of management contracts

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

Risk-free rate (R186 Government bond)	8.3
Tax rate	28.0
Terminal growth rate	4.1
Discount rate	20.1

Impairment evaluation of computer software

The impairment relates to computer software that was developed by a third party supplier. The Group intended to commence using the software, however, the required approval was not forthcoming and the opportunity has since passed. The Group does not intend to pursue this opportunity any further.

Impairment evaluation of customer relationships and licences

There were no impairment indicators for customer relationships and licences.

7. Loans receivable

	2019 R'000s	2018 R'000s
ASISA Supplier Development Trust	2 742	2 132
Beret Properties Proprietary Limited	7 524	7 983
Izibuko Holdings Proprietary Limited	60	43
Widok Properties Proprietary Limited	2 494	2 555
Deutsche Securities	25	25
Staff loans	40 387	-
	53 232	**12 738**

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

There are two loans to Beret Properties Proprietary Limited; both are unsecured and bears 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 repayment in November 2035. R1.22 million was paid in instalments in the current year (2018: R1.21 million) consisting of capital of R0.46 million (2018: R0.41 million) and interest income of R0.76 million (2018: R0.80 million). R0.50 million (2018: R0.46 million) of the loan balance is due within twelve months of the reporting date.

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

The loan to Widok Properties Proprietary Limited is unsecured, bears interest at the prime interest rate less 0.5% and is repayable in monthly instalments over 20 years, with final repayment in November 2035. R0.30 million was paid in instalments in the current year (2018: R0.30 million) consisting of capital of R0.06 million (2018: R0.06 million) and interest income of R0.24 million (2018: R0.25 million). R0.07 million (2018: R0.06 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 96% of the loan balance, however, with the expected interest payments in December 2019, this ratio is expected to exceed 100%.

8. Stated capital

Authorised

500,000,000 Ordinary shares with no par value (2018: 500,000,000).

Issued	2019 Number of shares	2018 Number of shares	2019 R'000s	2018 R'000s
Opening balance	154 955 778	154 955 778	665 901	665 939
Transactions costs on issue of ordinary shares relating to prior year rights issue	-	-	-	(38)
Ordinary shares repurchased	(3 091 500)	-	(27 311)	-
Issue of shares relating to share options exercised	378 569	-	1 908	-
Transfer between share based payment reserve and stated capital for share options exercised	-	-	996	-
Closing balance	**152 242 847**	**154 955 778**	**641 494**	**665 901**

The ordinary shares were repurchased at an average price of R8.83 and were cancelled before year end.

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

9. Loan payable

	2019 R'000s	2018 R'000s
Opening balance	-	165 201
Facility drawdown	50 000	-
Loan repaid	-	(159 692)
Interest accrued	1 231	5 768
Interest repaid	(866)	(11 277)
Closing balance	**50 365**	**-**

The loan amount represents the amount utilised from a R100 million facility with Standard Bank. This facility is in place from March 2019 to March 2022. Drawdowns can be made at any time during the facility period with five working days notice. The loan bears interest at a rate of JIBAR plus 1.5% and is repayable 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.

The prior year loan with Nedbank Limited was settled by the issue of preference shares.

10. Preference share liability

	2019 R'000s	2018 R'000s
Nedbank Limited	-	150 000
Standard Bank Limited	135 000	-
	135 000	**150 000**

The preference share liability of R150 million was transferred from Nedbank to Standard Bank on 29 March 2019. 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. R15 million of the preference shares were redeemed on 30 August 2019 resulting in a balance of R135 million at 30 September 2019.

11. Profit from operations

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

Revenue	2019 R'000s	2018 R'000s
Investment management fees	324 594	317 301
Investment administration fees	62 576	63 162
Trading income	113 184	40 171
General partner fees	7 753	-
Other	-	1 279
	508 107	**421 913**

Operating expenses		
Operating lease	22 362	14 810
Asset management fees	30 208	34 812
Staff costs (excluding share options costs)	157 497	117 248
Share options costs	2 166	2 773
Trading, custody and administration costs	22 971	34 755

12. Earnings and headline earnings per share

	2019 R'000s	2018 R'000s
Profit attributable to ordinary shareholders	125 941	100 969
Impairment of intangible asset (after tax)	2 161	-
Headline earnings	**128 102**	**100 969**

	Number of shares	Number of shares
Weighted average number of ordinary shares in issue (basic)	145 809 601	146 022 612
Potential number of shares issued in respect of diluted instruments	974 599	1 542 509
Weighted average number of ordinary shares in issue (diluted)	**146 784 200**	**147 565 121**

	2019 Cents	2018 Cents
Earnings per share (basic)	86.4	69.2
Earnings per share (diluted)	85.8	68.4
Headline earnings per share (basic)	87.9	69.2
Headline earnings per share (diluted)	87.3	68.4
Alternative performance measures		
Net asset value per share	438.4	427.5
Tangible net asset value per share	142.6	128.9

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

13. Related party transactions

Transactions with key management personnel

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 as well as an attendance fee for their participation as board members and for their role in other committees. Only short-term compensation was paid to directors during the year, which is as follows:

Cash-based remuneration

	Directors' fees R'000s	Consulting fees R'000s	Salary R'000s	Bonus R'000s	Total R'000s
2019	2 290	1 644	11 301	5 383	20 618
2018	1 042	-	6 560	1 900	9 502

Equity remuneration

During the current year 200 000 share options at a strike price of Rnil were issued to Mr DR Hufton and 251 258 share options at a strike price of R7.96 were issued to Mr M Sirkot. The fair value of the share options allocated to Mr DR Hufton and Mr M Sirkot was R1.26 million and R0.71 million respectively. Mr M Buckham forfeited 315 493 share options (strike price R15.85) during the current year.

14. Fair value

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 relate to equities, fixed interest securities and cash and cash equivalents.
Level 2 - fair value is derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Level 2 investments relate to collective investment schemes, hedge funds, investments in insurance policies, investment contract porfolio debtors and investment contract portfolio accrued interest. Collective investment schemes are valued with reference to the published price provided by the management company. Hedge funds are valued with reference to the price provided by the fund manager. Investments in insurance policies are valued with reference to the price provided by the insurer. Investment contract portfolio debtors and accrued interest is valued with reference to the value of the underlying debtors.
Level 3 - fair value is derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). The level 3 investment relates to an unlisted private equity fund.

2019	Level 1 R'000s	Level 2 R'000s	Level 3 R'000s	Total R'000s
Investments linked to investment contract liabilities	31 652 987	59 600 601	1 217 385	92 470 973
Investments	58 450	199 998	-	258 448
Third-party liabilities arising on consolidation of unit trust funds	(2 438 043)	(205 989)	-	(2 644 032)
Investment contract liabilities	(29 212 665)	(59 394 612)	(1 217 385)	(89 824 662)
	60 729	**199 998**	**-**	**260 727**

2018	Level 1 R'000s	Level 2 R'000s	Level 3 R'000s	Total R'000s
Investments linked to investment contract liabilities	26 502 200	53 220 076	-	79 722 276
Investments	49 172	208 062	-	257 234
Third-party liabilities arising on consolidation of unit trust funds	(1 567 784)	-	-	(1 567 784)
Investment contract liabilities	(24 934 416)	(53 173 371)	-	(78 107 787)
	49 172	**254 767**	**-**	**303 939**

	2019 R'000s	2018 R'000s
Level 3 financial instruments		
Opening balance	-	-
Additions	1 236 223	-
Fair value adjustment included in investment contract income	(18 838)	-
Closing balance	**1 217 385**	**-**

The level 3 investment relates to a UK limited liability partnership that holds unlisted Oxford Sciences Innovation plc shares. These shares have been valued at the last traded price by the partnership. This value is supported by the net asset value per share of Oxford Sciences Innovation plc (which carries all its underlying investments at fair value) at 30 September 2019, adjusted as necessary for partnership expenses. If the shares do not trade for more than 12 months, the directors will consider an alternate valuation, including the net asset value per share calculated by Oxford Sciences Innovation plc relating to the underlying investments held.

15. Contingent liabilities

A UK subsidiary has entered into a limited liability partnership agreement in respect of the Braavos Capital I LP ("the partnership"), acting as the general partner and manager of the partnership. The subsidiary is the only unlimited partner and is therefore liable for all debts, liabilities and obligations owed by the partnership to third parties.

16. Events subsequent to the reporting date

On the 29th of November 2019, the Group repaid R10 million of the preference share liability (refer note 10). On the 3rd of December 2019, the directors proposed and approved a dividend of 35 cents per share.

Audited Summarised Consolidated Financial Statements 2019

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

www.sygnia.co.za