




**CAPITAL
APPRECIATION**

2020


Reviewed Provisional
Condensed Group
Financial Results and Cash
Dividend Declaration
for the year ended 31 March 2020



 In my 50 odd years of professional and corporate life, the current state of our economy, through COVID-19, must rank as the most difficult I have encountered.

Against this depressing perspective, it is encouraging to witness the skills and capacity of the people within our business units, boldly equipped to support our clients and their customers' crecive desire, to embrace new technologies, in order to adapt to our changing world.

We are fortunate to be part of this very compelling space.

Our present state of trial will hopefully be overcome, not least inspired by the profound words of Nelson Mandela — “we can never lose, we can either win or learn” 

Michael (Motty) Sacks
Chairman

ABOUT CAPPREC

Payments & Payment Infrastructure

- African Resonance
- Dashpay

Software & Services

- Synthesis

CTA Enterprise Development Fund (CEDF)

- Govchat (35%)

Capital Appreciation is a financial technology ("FinTech") enterprise with two business segments - Payments & Payment Infrastructure ("Payments") and Software & Services ("Services").

Payments: African Resonance is a leading provider of payment infrastructure and related technology solutions to established financial institutions, emerging payment service providers, the hospitality industry and the entire retail sector, both directly and indirectly. Dashpay's multi-product, multi-party universal transacting platform and deep value-added services solutions are intended to complement existing payment services provided by the Group's established banking and institutional client base.

Services: Synthesis is a highly specialised software and systems developer, offering consulting, integration services and technology-based product solutions, to banking, financial services and other institutions in South Africa and other emerging markets. Synthesis is uniquely positioned in Africa, having become the first company on the continent to attain Amazon Web Services' (AWS) Advanced Consulting Partner Accreditation, with specialist competencies in Financial Services, DevOps (Development Operations), Well Architected Frameworks and SaaS Partner.

CTA Enterprise Development Fund (CEDF): The first investment CAPPREC made through its CEDF is GovChat (35% ownership interest). GovChat is the official platform for connecting Government to people and people to Government and is the result of an open partnership with the Department of Co-operative Development and Traditional Affairs (CoGTA), the South African Local Government Association (SALGA) and Government Communication and Information System (GCIS). GovChat operates a technology platform that includes "UNATHI", its natural language chatbot. GovChat is presently operational online and through WhatsApp and Facebook Messenger and on feature phones through USSD. GovChat is also the official platform through which to apply for the Government's SRD grant. For more information, see www.GovChat.org.

Further detail on the nature of all CAPPREC business units is available on the Company's website, at www.capitalappreciation.co.za.

SALIENT FEATURES

OPERATIONAL HIGHLIGHTS

Growth continues
across all business
units

Synthesis' excellent
performance continues with
**expansion into
new verticals and
geographies**

**Synthesis' AWS
Advanced Consulting
partner status expanded**
to include Financial Services
and DevOps specialities, Well
Architected Frameworks and SaaS Partner

Continued
market share gains
in payment infrastructure solutions

Payment terminals
in the hands of clients,
up 32.1%

Expanded payment
processing
solutions
introduced

CAPPREC's new associate,
GovChat, assists Government
with COVID-19
Social Relief of Distress (SRD) grants

FINANCIAL FEATURES

Revenue
R701.2 million
+15.4%

EBITDA
R204.7 million
+29.1%

Trading profit
R206.1 million
+19.0%

Headline earnings
R142.3 million
+14.2%

EPS 11.24 cents per share
+34.9%

HEPS 10.67 cents per share
+28.1%

Cash generation of
R206 million

Cash conversion rate
100%
of trading profit

R505 million
of cash available for reinvestment

Net asset value
per share of 109 cents
+14.4%

Final dividend per share of 2.75 cents, bringing
the total dividend
per share for the year to 5.00 cents, an
increase of 17.6%

Strategic investment and expenditure
incurred to support growth

COMMENTARY

Introduction

CAPPREC is proud of the operating performance of each of the Group's business units. The performance is particularly pleasing given the challenging economic environment in South Africa over the reporting period.

The COVID-19 pandemic has had limited impact on the Group's financial results in this reporting period. This development is reported on in more detail under "Operating Environment" and "Prospects and conclusions" later in this commentary.

Technology's role as a disrupting force and a differentiator in the Banking and Financial Services sector continues to accelerate. Its impact and effect is visible not only in new digital related service offerings, but also in reducing operating costs and extracting greater efficiencies through automation and shared infrastructure. This evolving process of transformation within the sector creates further opportunity for CAPPREC.

The COVID-19 pandemic also underscored the importance for end-customers being able to engage and transact digitally and the demand for innovative and secure digital platforms has accelerated significantly – a trend that is expected to continue and increase.

The Group entered new commercial sectors that are complementary to its Financial Services origin and has made positive progress in the retail sector. The Group also expanded its operational footprint outside South Africa and now services clients digitally in ten countries beyond our borders.

Operating environment

The COVID-19 pandemic is very much at the forefront of everyone's mind. We are relieved to report that our Group companies, being providers of essential services, were able to and did in fact continue to operate effectively during the lockdown period.

The wellbeing of our staff is paramount and our prior investments in redundancy and disaster preparedness protocols, has paid dividends. Within days, all non-essential staff across all business units were working remotely and coordinating operations virtually. Our essential services staff, whose physical presence at our facilities was required, were safely equipped and fully operational. Our clients' needs were an operational priority and we are pleased that all services to our clients continued uninterrupted.

In recent weeks, our team at Synthesis has worked very closely with GovChat to assist Government (notably the Department of Health and the National Institute of Communicable Diseases (NICD)) to develop and deliver tools and services to help manage and combat the pandemic. Key among these is GovChat's UNATHI platform, which allows for COVID-19 screening, testing centre referrals, test administration, test result notifications and sending alerts to persons with whom a positive patient has had recent contact. GovChat also assisted the Department of Social Development to provide the South African Social Security Agency (SASSA) a mechanism to digitise the SRD grant application process. To date, the partnership with GovChat has enabled more than 1.6 million individuals to apply for a grant electronically. This experience has not only validated the power of the Synthesis knowledge base, but has confirmed the existence of a broader opportunity set in sectors such as healthcare.

In our report last year, we noted an expectation that the economic and political environment was likely to present certain challenges. This was evidenced in our clients' cautious and deliberate approach towards infrastructure expansion and other capital expenditure initiatives during the year. This notwithstanding, the Group's businesses demonstrated continued demand for their products and service offerings which we believe is a testament to their established reputation and track record of innovation, quality and efficient service delivery.

The management teams in each business are fully aligned to CAPPREC's strategic imperatives. Each team is focused and making good progress to ensure that the Group's portfolio of products and services are suitably positioned for current and anticipated market conditions.

Financial results commentary

The most material financial matters impacting these results include (i) the specific share repurchase and small related party transaction approved by shareholders and implemented during September 2019, (ii) the continuing development costs incurred by the Group relating to new innovative payment product offerings, (iii) costs incurred to build capacity in anticipation of growth in commercial activity, (iv) the R8.7 million pre-tax capital profit from the sale of the Group's 17.45% interest in Resonance Australia, and (v) a one-time, unrealised, pre-tax profit of R14.6 million relating to an open forward cover foreign exchange contract for terminals ordered in fiscal 2020, to be delivered in fiscal 2021. CAPPREC has adopted IFRS 16 in the period, the application of which has had a non-material impact on Group's net profit after tax.

CAPPREC's gross revenues for the year amounted to R701.2 million (2019: R607.7 million), an increase of 15.4%. Earnings Before Interest, Taxation, Depreciation and Amortisation ("EBITDA") of R204.7 million (2019: R158.6 million), increased by 29.1%. Profit after taxation increased by 20.2%, being R149.8 million (2019: R124.6 million). Headline earnings for the period increased by 14.2% to R142.3 million (2019: R124.6 million), translating into EPS of 11.24 cents per share and HEPS of 10.67 cents per share, an increase of 34.9% and 28.1%, respectively, against the comparable period.

The Group also considers cash earnings per share to be an appropriate barometer of its performance. For the period under review cash conversion was 100% of trading profit, translating into cash earnings per share of 11.12 cents (2019: 10.06 cents), an increase of 10.6%. The weighted average shares in issue for the year was 1 333 003 863, compared to 1 495 475 231 for fiscal 2019.

A common characteristic of the underlying businesses in the Group is that they are all in a growth and developmental phase of their respective lifecycles. Investment and expenditure in support of this growth, is designed to generate further income producing services, solutions and products in future financial periods. In the Payments division, the costs incurred relate to development, marketing and capacity building expenditure, associated with Dashpay's processing services and the launch in Southern Africa of Newland payment devices. In the Services division, the added costs relate to increased staffing and training, substantially associated with the AWS cloud initiatives being delivered by Synthesis. The Group has invested both time and resource in ensuring that the business units have effective management succession plans and that these management teams' interests are aligned with the Group and shareholders.

During the period under review the Group again demonstrated the highly cash generative nature of its operations, with cash generation of 100% of trading profit. The Group's cash resources at 31 March 2020 were R505.1 million (2019: R611.2 million), this after the Group concluded the specific share repurchase transaction of 245 million CAPPREC shares at a cost of R192.7 million, open market share repurchases totalling R33.9 million, the payment of R57.8 million in dividends, and several other cash applications reflected elsewhere in this announcement. Given the cancellation of the 245 million shares under the specific share repurchase transaction, there are now 1 310 000 000 CAPPREC shares in issue (2019: 1 555 000 000). As at 31 March 2020, excluding the specific share repurchase transaction, CAPPREC had repurchased a total of 108 786 351 shares at an average price of 76 cents per share. These shares are held as treasury shares.

The Synthesis acquisition agreement from May 2017 included a three-year profit warranty. We are delighted that Synthesis has exceeded its obligations and the settlement of the deferred contingent consideration of shares and cash will be implemented soon after the release of the results.

The closing price of a CAPPREC share on 31 March 2020 was 60 cents; of that almost 40 cents is represented by cash. The Group's cash resources will be applied, in the first instance, to fund anticipated organic growth and thereafter, to pursue or supplement the cost of new, but complementary acquisition opportunities.

The Group's financial results reflect the effects of the specific share repurchase and small related party transaction implemented in September 2019, the details of which were contained in the Circular to shareholders. In terms of this transaction, CAPPREC acquired the intellectual property, technology and development platforms, that were previously licensed to African Resonance. As part of that transaction the Company employed all the previous licensor's personnel focused on CAPPREC customer technology and development needs. This was an important milestone, as the Company secured absolute ownership over most of the core intellectual property used in the businesses. The composite transaction also included the disposal of CAPPREC's 17.45% interest, and its claims on loan account, in Resonance Australia for an aggregate amount of R40 million.

Divisional review

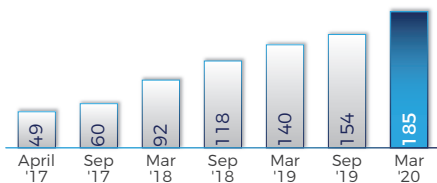
Payments

African Resonance and Dashpay comprise the Payments division of the Group. Notwithstanding the continuing macro-economic headwinds, compounded by low consumer confidence, the Payments segment demonstrated a resilient trading performance. The division generated revenue of R506.2 million (2019: R469.9 million), up 7.7%, EBITDA of R161.8 million (2019: R135.2 million) was up 19.6% and profit after tax of R115.3 million (2019: R98.2 million) increased by 17.4%.

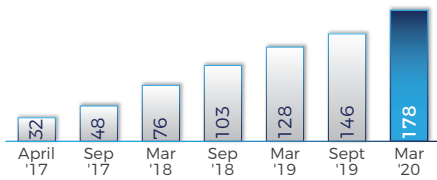
African Resonance is a solid, well-run business that continues to produce sustainable profits and healthy cash flow. The company has attracted a strong client base comprising all the major banks in South Africa, as well as a range of other financial institutions both in South Africa and elsewhere in Africa. Its products have been well-received, allowing it to grow market share and build a sizeable installed base of terminals.

During the past year, c.58 000 terminals were sold, bringing the total number of terminals in the hands of customers to more than 185 000 (c. 178 000 sold and c. 7 000 rented). Of these terminals, 135 000 have already been deployed and are earning annuity-based maintenance and support service revenues. Maintenance and support fees increased by 56.1% year-on-year, due to a 57.7% increase in average deployed terminals during the period (a 31.7% increase in deployed terminals at period end). Rental income has continued to decline in line with budget, as current rental contracts reach the end of their term, with most customers now having a preference to purchase terminals.

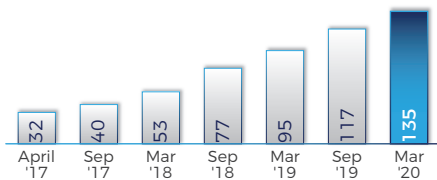
Total terminal estate (up 32% YoY)*



Owned by clients (up 39% YoY)*



Active - in market (up 42% YoY)*



* Terminals at period end, in thousands

Dashpay continued to firmly establish its business model, despite operating under difficult economic conditions. Notwithstanding, annualised Gross Transaction Value (GTV) exceeding R4.9 billion, was up more than 122% year-on-year. Dashpay also signed an ISO agreement with Absa, in addition to its existing agreements with Nedbank and Mercantile Bank. Dashpay continues to pursue development of new opportunities and continues to invest time, effort and capital on new technologies for deployment and application within the broader retail sector.

The Payments division concluded a distributor agreement with Newland, the world's second largest terminal supplier and the largest in China, for the use and distribution of payment terminals for the SADC region. The introduction of Android and MPOS products to new markets will be the focus of this endeavour, as the use of these terminals offer an extremely competitive functionality, price and quality package. They also complement the bespoke value-added services offered by Dashpay. This development was in response to client demand for alternative solutions, tailored to specific market segments. It also enables SMMEs and businesses that do not currently use digital and card payments to enter that market.

There is a world-wide trend for the market to move away from cash-based transactions, because of the real COVID-19 risks associated with the handling of cash (as reported by Visa and Mastercard).

Services

Synthesis comprises the Services business. Synthesis generated revenue of R195.0 million (2019: R137.8 million), up 41.5%, EBITDA of R53.8 million (2019: R43.3 million), up 24.1%, and profit after tax of R36.9 million (2019: R32.7 million), up 12.8%. The growth in revenue and the proportionately greater increase in operating costs correlate to the increasing demand for cloud services and the ongoing investment to address that demand and in anticipation of even greater future demand.

Synthesis offers highly specialised software development, consulting and integration services and technology-based product solutions to banking and other financial institutions in South Africa and other emerging markets. Synthesis' initiatives span four main areas (i) Cloud, (ii) RegTech, (iii) Digital and Emerging tech and (iv) Academy.

Cloud assists customers in becoming cloud-ready, executing mass migrations, harnessing the benefits of innovation and big data analytics, and extracting cost savings and regulatory benefits. Cloud is the fastest growing segment and Synthesis has a strong strategic relationship with Amazon Web Services (AWS), the world's leading cloud platform provider. AWS launched its Africa region data centre in Cape Town at the end of April 2020. Synthesis was one of its key launch partners and is well positioned to capitalise on the accelerating need and demand for cloud services.

RegTech provides regulatory reporting solutions to financial institutions and has produced steady growth in the period with healthy margins.

Digital and Emerging Tech provides secure mobile and web digital channels for financial services institutions to enhance their customers' experience, as well as provide access to emerging technologies, which include machine learning, artificial intelligence, big data analytics and blockchain technology. **Academy** is the most recent unit and provides onsite or digital-based training to enterprises and corporates on a range of emerging technology topics, such as cloud, artificial intelligence and machine learning. The Academy facilitators are among the region's leading technology professionals. The commercialisation of the Synthesis Academy offering has shown significant promise to provide the much-needed skills development and training for the South African market.

Synthesis concluded several new partnerships, including VMware, Confluent, Hashicorp and Cloudflare. Synthesis acts as either seller or professional service providers on those technologies, which complement its Cloud services and are helping to deliver more comprehensive service offerings related to real-time data streaming, cloud infrastructure, cloud security, artificial intelligence, machine learning (AI/ML) and personalisation. Using machine learning, Synthesis has also started building a data analysis and data engineering practice that is complementary to its Digital and Cloud areas. The Synthesis focus on new customer verticals has shown favourable results. The sectors being targeted are Retail, Media and Telecoms and Healthcare.

CTA Enterprise Development Fund

The CEDF announced its funding commitment to and 35% investment in GovChat in June 2019. The GovChat Platform official "go-live" date was 1 March 2020. Its inaugural offerings allow SA residents to rate and report on government spaces (c.60 000 sites) and the quality of the services the institutions render. It also allows residents to log reports on items that require municipal response and to identify their public representative or traditional leader.

GovChat further extended its relationship with government to assist with the COVID-19 pandemic and adapted its systems to provide services to the Department of Health and the Department of Social Development (as described under Operating Environment). The range of offerings and applications offered by GovChat will continue to grow in response to the needs of government, SA citizens and SA business.

The technology platforms that underlie GovChat were developed by Synthesis and build on Synthesis' unique skills in cloud computing, security and hyperscale platforms.

Broad-Based Black Economic Empowerment

During the period under review, both African Resonance and Synthesis had their B-BBEE status reviewed. We are pleased to report that African Resonance and Synthesis each received a Level 3 accreditation. This continues to demonstrate the Group's overall commitment to B-BBEE. Dashpay focused on B-BBEE during the year and should achieve a satisfactory B-BBEE rating during its pending new accreditation.

The Group's transformation spend on B-BBEE initiatives amounted to R8.0 million (2019: R10.8 million), which represents 4.9% (2019: 7.8%) of operating profit.

Investments and acquisitions

CAPPREC has strong operating cash flow businesses and at year-end, held cash balances of R505.1 million, most of which is invested in optimal interest-bearing securities. CAPPREC will utilise these cash resources to generate organic growth and to finance acquisition opportunities.

The Group continues to research the technology sector, seeking to identify compatible bolt-on enterprises for potential acquisition. Finding suitably mature and reasonably priced businesses in the sector has proven challenging. However, it is not unlikely that the current financial dislocation will present some interesting opportunities.

The Group remains strongly focused on companies that can expand and generate scale within a reasonable time frame, in addition, can provide satisfactory organic growth and shareholder returns, where CAPPREC's capital and strategic capability can be successfully leveraged.

Prospects and conclusions

It is now common cause that the COVID-19 pandemic presents unprecedented uncertainty and insecurity across every dimension of community life and commercial endeavour in South Africa and throughout the world. Under these circumstances, forecasts and predictions are almost impossible. We do, however, observe that:

- the Group's operating subsidiaries are functioning well as they have made pleasing progress since acquisition (three years ago) and have proved their resilience and tenacity during the current lockdown period;
- current circumstances notwithstanding, the demand for new technologies in the financial services, retail and healthcare sectors (and others), where Group companies have differentiated expertise, is accelerating at a rapid rate; and
- the business units' young, talented and dedicated management teams are committed to maintaining the competitive nature of all businesses and exceeding customers' expectations in the current challenging trading environment.

Accordingly, while heedful of the challenges that lie ahead, CAPPREC is confident of continued operational progress and hopeful of continued financial progress.

Dividends

The Board has pleasure in announcing that a final dividend of 2.75 cents per ordinary share has been declared for the year ended 31 March 2020. The total dividend per share for the year ended 31 March 2020 amounts to 5.00 cents per share (2019: 4.25 cents per share).

We note the following:

- Dividends are subject to dividends withholding tax.
- The payment date for the dividend is Monday, 20 July 2020.
- Dividends have been declared out of profits available for distribution.
- Local dividends withholding tax is 20%.
- Gross dividend amount is 2.75 cents per ordinary share, which is 2.20 cents net of withholding tax.
- CAPPREC has 1 310 000 000 ordinary shares in issue at the declaration date.
- CAPPREC's Income Tax Reference Number is 9591281176.

The salient dates relating to the dividend are as follows:

Last day of trade cum dividend	<i>Tuesday, 14 July 2020</i>
Shares commence trading ex-dividend	<i>Wednesday, 15 July 2020</i>
Dividend record date	<i>Friday, 17 July 2020</i>
Dividend payment date	<i>Monday, 20 July 2020</i>

Share certificates for ordinary shares may not be dematerialised or rematerialised between Wednesday, 15 July 2020 and Friday, 17 July 2020, both days inclusive.

Preparation of condensed financial reports

The financial results herein have been prepared under the supervision of Mr Alan Salomon CA(SA) in his capacity as the Group Chief Financial Officer, and were approved by the Board on 28 May 2020. For further information hereto, please refer to the section below captioned Accounting Policies and Basis of Preparation.

Accounting policies and basis of preparation

These reviewed provisional condensed group annual financial results have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards (IFRS), its interpretations issued by the IFRS Interpretations Committee, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and

Financial Pronouncements as issued by the Financial Reporting Standards Council, presentation and disclosure as required by International Accounting Standard (IAS) 34 'Interim Financial Reporting', the JSE Limited Listings Requirements and the requirements of the Companies Act, 71 of 2008 of South Africa. The accounting policies and methods of computation used in the preparation of these reviewed provisional condensed group annual financial results are in terms of IFRS and are consistent in all material respects with those applied in the 2019 group audited annual financial statements.

Forward-looking statements

This announcement contains forward-looking statements with respect to the economy and the results of the operations of CAPPREC, which by their nature, involve risk and uncertainty. Accordingly, shareholders should appreciate that economic circumstances may be different in the year ahead or thereafter. Any forward-looking statements have not been audited or reviewed by our external auditors.

On behalf of the Board

Michael (Motty) Sacks
Non-Executive Chairman

Michael Pimstein & Bradley Sacks
Joint Chief Executive Officers

Alan Salomon
Chief Financial Officer

Sandton
1 June 2020

CONDENSED GROUP STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2020

Figures in Rand	Notes	2020	2019
ASSETS			
Property, plant and equipment		28 837 522	21 737 333
Intangible assets		61 871 264	62 258 622
Right-of-use-assets	6	24 432 732	-
Goodwill	2	728 577 776	728 577 776
Other financial assets		-	19 011 040
Investment in associates	4	3	26 360 129
Deferred tax		7 424 273	5 141 435
Non-current assets		851 143 570	863 086 335
Inventories		8 139 550	16 167 245
Trade and other receivables		81 098 470	44 367 518
Loan to associate		1 455 755	5 179 241
Taxation receivable		870 232	4 588 251
Cash and cash equivalents		505 120 733	611 227 490
Current assets		596 684 740	681 529 745
Total assets		1 447 828 310	1 544 616 080
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	5	976 599 834	1 204 657 490
Share-based payment reserve		2 888 900	1 172 400
Contingent consideration reserve	3	24 900 000	24 900 000
Retained income		304 628 128	216 385 606
Total equity		1 309 016 862	1 447 115 496
Lease liability	6	19 555 481	-
Deferred revenue		8 733 281	9 154 167
Contingent consideration	3	-	9 271 591
Deferred tax		12 501 907	16 216 947
Non-current liabilities		40 790 669	34 642 705
Contingent consideration	3	10 000 000	-
Trade and other payables		68 725 182	53 356 931
Bank overdraft		-	2 434 271
Lease Liability	6	7 600 898	1 182 800
Deferred revenue		5 153 168	1 850 000
Taxation payable		6 541 531	4 033 877
Current liabilities		98 020 779	62 857 879
Total equity and liabilities		1 447 828 310	1 544 616 080

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

Figures in Rand	Notes	2020	% Change	2019
Revenue	1	701 229 816	15.4%	607 723 023
Cost of sales		(368 995 723)		(309 255 706)
Gross profit		332 234 093	11.3%	298 467 317
Other income		17 077 378		2 677 709
Operating expenses		(143 183 220)	11.9%	(127 992 347)
Trading profit		206 128 251	19.0%	173 152 679
Share-based payment expense		(1 716 500)		(921 900)
Depreciation: property, plant and equipment		(9 809 931)		(8 461 766)
Depreciation: Right-of-use assets	6	(7 967 757)		-
Amortisation of intangibles		(16 645 033)		(13 983 722)
Acquisition costs		-		(415 451)
Transformation costs		(8 031 419)		(10 824 574)
Operating profit		161 957 611	16.9%	138 545 266
Finance income		38 724 301		38 280 325
Finance charges		(728 400)		(601 735)
Finance charges: lease liabilities	6	(2 304 874)		-
Equity accounted loss in associate		(346 092)		(2 428 181)
Gain on sale of investment in associate		8 664 739		-
Profit before taxation		205 967 285	18.5%	173 795 675
Taxation		(56 134 856)		(49 182 821)
Profit after taxation		149 832 429	20.2%	124 612 854
Other comprehensive income		-		-
Total comprehensive income for the year		149 832 429		124 612 854
Basic earnings per share (cents)	7	11,24	34.9%	8.33
Diluted basic earnings per share (cents)	7	10,99	34.5%	8.17

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

Figures in Rand	Ordinary share capital	Share-based payment reserve	Contingent consideration reserve	Retained income	Total equity
Balance at 31 March 2018	1 211 781 099	250 500	24 900 000	155 355 981	1 392 287 580
Share-based payment reserve	-	921 900	-	-	921 900
Purchase of treasury shares	(7 123 609)	-	-	-	(7 123 609)
Cash dividends paid	-	-	-	(63 583 229)	(63 583 229)
Total comprehensive income for the year ended 31 March 2019	-	-	-	124 612 854	124 612 854
Balance at 31 March 2019	1 204 657 490	1 172 400	24 900 000	216 385 606	1 447 115 496
Repurchase of cancelled ordinary shares	(192 726 496)	-	-	-	(192 726 496)
Costs associated with repurchase of cancelled ordinary shares	(1 444 894)	-	-	-	(1 444 894)
Costs associated with circular	-	-	-	(1 585 001)	(1 585 001)
Share-based payment reserve	-	1 716 500	-	-	1 716 500
Purchase of treasury shares	(33 886 266)	-	-	-	(33 886 266)
Cash dividends paid	-	-	-	(57 826 981)	(57 826 981)
Settlement of pre-acquisition tax receivable	-	-	-	(2 177 925)	(2 177 925)
Total comprehensive income for the year ended 31 March 2020	-	-	-	149 832 429	149 832 429
Balance at 31 March 2020	976 599 834	2 888 900	24 900 000	304 628 128	1 309 016 862

CONDENSED GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

Figures in Rand	Notes	2020	2019
Cash flow from operations		206 086 120	212 698 073
Finance income received		38 076 116	36 896 736
Finance costs paid		(2 304 874)	(19 763)
Dividends paid		(57 826 981)	(63 583 229)
Taxation refund received		-	309 425
Taxation paid		(57 852 251)	(62 276 347)
Net cash flow from operating activities		126 178 130	124 024 895
Cash flows from investing activities			
Acquisition of property, plant and equipment		(17 756 411)	(16 532 856)
Proceeds on disposal of property, plant and equipment		545 894	1 467 511
Acquisition of intangible assets		(10 202 051)	(910 259)
Capitalisation of intangible assets		(6 055 624)	(3 879 621)
Repayment of loan from associate		5 021 341	-
Proceeds from disposal of associate		34 978 659	-
Costs associated with circular		(1 585 001)	-
Costs associated with sale of associate		(299 882)	-
Net cash flow from investing activities		4 646 925	(19 855 225)
Cash flows from financing activities			
Repayment of lease liability		(6 426 912)	-
Loan to associate		(1 455 755)	-
Repayment of financial liabilities		-	(2 989 613)
Repurchase of cancelled ordinary shares		(192 726 496)	-
Costs associated with repurchase of shares		(1 444 894)	-
Purchase of 45 144 351 treasury shares (2019: 8 022 000)		(33 890 387)	(7 123 610)
Net cash flow from financing activities		(235 944 444)	(10 113 223)
Net increase/(decrease) in cash and cash equivalents		(105 119 389)	94 056 447
Cash and cash equivalents at beginning of year		608 793 219	513 169 862
Net foreign exchange difference		1 446 903	1 566 910
Cash and cash equivalents at end of year		505 120 733	608 793 219
Bank balances, call and notice deposits		505 120 733	611 227 490
Bank overdraft		-	(2 434 271)
		505 120 733	608 793 219

CONDENSED GROUP SEGMENT ANALYSIS

FOR THE YEAR ENDED 31 MARCH 2020

Figures in Rand	Payments and Payment Infrastructure	
	2020	2019
Revenue	506 182 723	469 894 711
Trading profit/(loss)	168 241 527	143 146 336
Depreciation: Property, plant and equipment	(7 674 393)	(7 076 723)
Depreciation: Right-of-use assets	(5 143 008)	-
Amortisation of intangibles	(1 785 652)	(297 278)
Operating profit/(loss)	147 160 656	127 904 602
Net finance income	14 514 337	11 646 234
Finance charges: lease liabilities	(1 434 998)	-
Equity accounted loss in associate	-	-
Gain on sale of investment in associate	-	-
Profit/(loss) after taxation	115 270 025	98 153 418
Total assets	289 215 497	184 766 329
Total liabilities	70 990 456	43 078 718
Net assets	218 225 041	141 687 611
Geographical information		
Revenue		
South Africa	506 182 723	469 894 711
Rest of Africa and Indian Ocean Islands	-	-
United States of America	-	-
	506 182 723	469 894 711
Assets		
South Africa	289 215 497	184 766 329
Australia	-	-
Total	289 215 497	184 766 329
Liabilities		
South Africa	70 990 456	43 078 718
Australia	-	-
Total	70 990 456	43 078 718
Net assets	218 225 041	141 687 611

* Refer to note 1 for a breakdown of the description of Revenue.

The Payments division relates to the sale of terminals, the rental of terminals, maintenance and service fees from terminals, transaction related revenue from terminals and sundry terminal related revenue.

The Software and Services division generates revenue from services and consultancy fees, licence and subscription fees and sale of computer hardware.

Software and Services		Corporate		Group	
2020	2019	2020	2019	2020	2019
195 047 093	137 828 312	-	-	701 229 816	607 723 023
56 843 765	47 160 530	(18 957 041)	(17 154 187)	206 128 251	173 152 679
(1 596 583)	(851 215)	(538 955)	(533 828)	(9 809 931)	(8 461 766)
(1 731 040)	-	(1 093 709)	-	(7 967 757)	-
(1 591 381)	(418 444)	(13 268 000)	(13 268 000)	(16 645 033)	(13 983 722)
48 875 561	42 066 924	(34 078 606)	(31 426 260)	161 957 611	138 545 266
1 646 546	1 318 630	21 835 018	24 713 726	37 995 901	37 678 590
(564 765)	-	(305 111)	-	(2 304 874)	-
-	-	(346 092)	(2 428 181)	(346 092)	(2 428 181)
-	-	8 664 739	-	8 664 739	-
36 861 797	32 737 091	(2 299 393)	(6 277 655)	149 832 429	124 612 854
90 249 406	63 137 764	1 068 363 407	1 296 711 987	1 447 828 310	1 544 616 080
34 800 481	23 819 661	33 020 511	30 602 205	138 811 448	97 500 584
55 448 925	39 318 103	1 035 342 896	1 266 109 782	1 309 016 862	1 447 115 496
173 732 626	124 329 656	-	-	679 915 349	594 224 367
14 341 084	13 498 656	-	-	14 341 084	13 498 656
6 973 383	-	-	-	6 973 383	-
195 047 093	137 828 312	-	-	701 229 816	607 723 023
90 249 406	63 137 764	1 068 363 407	1 265 172 617	1 447 828 310	1 469 997 992
-	-	-	31 539 370	-	31 539 370
90 249 406	63 137 764	1 068 363 407	1 296 711 987	1 447 828 310	1 544 616 080
34 800 481	23 819 661	33 020 511	30 602 205	138 811 448	97 500 584
-	-	-	-	-	-
34 800 481	23 819 661	33 020 511	30 602 205	138 811 448	97 500 584
55 448 925	39 318 103	1 035 342 896	1 266 109 782	1 309 016 862	1 447 115 496

NOTE 1: REVENUE

Figures in Rand	2020	2019
Payments and payment infrastructure division		
Terminal rental income	32 535 153	79 289 046
Maintenance and support service fees from terminals	115 308 477	73 871 669
Sale of terminals	331 574 979	290 897 279
Transaction related income from terminals	21 203 078	15 059 982
Sundry revenue	5 561 036	10 776 735
	506 182 723	469 894 711
Software and Services division		
Services and consultancy fees	153 066 690	102 215 242
Licence and subscription fees	36 350 218	32 884 725
Hardware	5 630 185	2 728 345
	195 047 093	137 828 312
Total revenue	701 229 816	607 723 023

Disaggregation of revenue from contracts with customers

The Group disaggregates revenue from customers as follows:

Figures in Rand	2020	2019
Sale of goods		
Sale of terminals	331 574 979	290 897 279
Hardware	5 630 185	2 728 345
	337 205 164	293 625 624
Rendering of services		
Services and consultancy fees	153 066 690	102 215 242
Licence and subscription fees	36 350 218	32 884 725
Terminal rental income	32 535 153	79 289 046
Maintenance and support service fees from terminals	115 308 477	73 871 669
Transaction related income from terminals	21 203 078	15 059 982
Sundry revenue	5 561 036	10 776 735
	364 024 652	314 097 399
Total revenue	701 229 816	607 723 023

Payments and Payment Infrastructure division

Terminal rental income

The Group recognises revenue from terminal rental contracts with customers, on a month-to-month basis. The rental contractual period is approximately three years.

Maintenance and support service fees from terminals

The Group recognises revenue from maintenance and support service fees over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

Sale of terminals

Revenue from the sale of terminals is recognised at the point in time when control of the asset is transferred to the customer, i.e. on delivery of the terminals.

Transaction related income from terminals

The Group recognises transaction related income from terminals when the transaction is completed.

Software and Services division

Service and consultancy fees

Revenue is recognised as and when the services are delivered and related contractual performance obligations are satisfied.

Licence and subscription fees

In terms of software licence and subscription fees earned, the Group is considered to be the principal in the agreement with customers, as it internally develops the software and maintains sole ownership of the intellectual property related to this software. This gives rise to contracts that are billed to customers for the right to use software. The Group's policy is to recognise licence fees at the point it is granted and subscription fees over time

Hardware

Revenue from the sale of hardware is recognised at the point in time when control of the asset is transferred to the customer, i.e. when the hardware is delivered.

NOTE 2: GOODWILL

Figures in Rand	2020	2019
Carrying amount	728 577 776	728 577 776
Movement in goodwill		
Carrying value at the beginning of the year	728 577 776	728 577 776
Goodwill and intangible assets arising on acquisition of businesses	-	-
Intangible asset allocation	-	-
Carrying value at the end of the year	728 577 776	728 577 776

NOTE 3: CONTINGENT CONSIDERATION

Figures in Rand	2020	2019
Cash: R10 000 000 at present value	10 000 000	9 271 591
Shares: 30 million ordinary shares at 83 cents per share, being the share price at the date of acquisition	24 900 000	24 900 000
Total	34 900 000	34 171 591

Contingent consideration

The Synthesis profit warranty consideration of R34 900 000 was included as part of the purchase consideration at the date of acquisition. Synthesis achieved the profit warranty at 31 March 2020. The Synthesis shareholders will receive R10 million cash and an allotment of 30 million ordinary shares once the group annual financial statements are signed. This is expected to be in June 2020.

NOTE 4: INVESTMENT IN ASSOCIATES

Figures in Rand	2020	2019
Unlisted investments		
4.1 Resonance Australia Proprietary Limited		
17 580 shares at cost	29 746 521	29 746 521
Share of loss of associate	(3 732 484)	(3 386 392)
Sale of associate	(26 014 037)	-
Closing balance	-	26 360 129
Reconciliation		
Opening balance	26 360 129	28 788 310
Share of equity accounted loss in associate	(346 092)	(2 428 181)
Related costs	299 883	
Proceeds on disposal	(34 978 659)	
	(8 664 739)	
Capital profit on disposal of associate	8 664 739	
Closing balance	-	26 360 129

During the year the Company sold its 17.45% interest in Resonance Australia Proprietary Limited and, its claims on loan account, for an aggregate amount of R40 million, which was settled on 17 September 2019

Figures in Rand	2020	2019
4.2 Proximity ID Proprietary Limited		
69 shares at cost	460 000	460 000
Provision for impairment	(459 999)	(459 999)
Carrying and fair value	1	1

Synthesis has 0.05% (2019: 23%) of the share capital of Proximity ID Proprietary Limited. The ownership interest in Proximity ID Proprietary Limited decreased due to a rights issue that was not followed by the company. The principal place of business is in Johannesburg, South Africa. The total investment in Proximity ID was impaired in the 2018 year.

4.3 Govchat Proprietary Limited

The Group acquired a 35% interest in Govchat (Proprietary) Limited on 21 May 2019. Govchat operates a technology platform that connects people to government and government to people. The principal business is in Cape Town and the company is incorporated in South Africa.

Figures in Rand	2020	2019
54 shares at cost	1	-
Carrying and fair value	1	-

4.4 GroEx Proprietary Limited

Synthesis acquired a 15% interest in GroEx Proprietary Limited, a subsidiary of Afgri Group Holdings Limited. GroEx provides digital services to the agricultural sector and provides financial services to commercial farmers and allied entities in the agricultural sector. The principal place of business is in Centurion and the company is incorporated in South Africa.

Figures in Rand	2020	2019
18 Shares at cost	1	-
Carrying and fair value	1	-

NOTE 5: SHARE CAPITAL

Figures in Rand	2020	2019
Share capital	976 599 834	1 204 657 490

Issued shares	Number	Number
Ordinary shares of no par value in issue at beginning of the year	1 555 000 000	1 555 000 000
Ordinary shares of no par value repurchased and cancelled during the year	(245 000 000)	-
Ordinary shares of no par value in issue at end of year	1 310 000 000	1 555 000 000
Ordinary shares of no par value repurchased (treasury shares)	(108 786 351)	(63 642 000)
Ordinary shares of no par value, net of treasury shares at the end of the year	1 201 213 649	1 491 358 000
Reconciliation of movement of issued ordinary shares		
Number of issued ordinary shares, net of treasury shares at the beginning of the year	1 491 358 000	1 499 380 000
Ordinary shares of no per value issued during the year	-	-
Ordinary shares of no par value repurchased and cancelled during the year	(245 000 000)	-
Ordinary shares of no par value repurchased during the year (treasury shares)	(45 144 351)	(8 022 000)
Ordinary shares of no par value, net of treasury shares at the end of the year	1 201 213 649	1 491 358 000

During the year the Group repurchased 45 144 351 ordinary shares (2019: 8 022 000) at an average price of 76.0 cents per share (2019: 88.9 cents per share).

NOTE 6: LEASES

IFRS 16 supersedes the previous standards relating to the accounting treatment of leases (IAS 17 Leases and IFRIC 4 Determining whether an Arrangement contains a Lease). The Group has adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application being 1 April 2019.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a term of 12 months or less.

The lessee's weighted average incremental borrowing rate of 7.625% was applied to lease liabilities recognised in the Statement of Financial Position at the date of initial application.

The following practical expedient has been applied:

- (a) Lease liabilities previously recognised as an operating lease have been recognised at the present value of the remaining lease payments using the incremental borrowing rate at the date of initial application; and
- (b) Leases previously recognised as an operating lease have been recognised as an amount equal to the lease liability, adjusted for the accrued lease payments recognised in the statement of financial position immediately before the date of initial application.

The Group's adoption of IFRS 16 in the period and the application of which has had an immaterial impact on the Group's net profit after tax.

There are no material reconciling items between the operating lease commitments disclosed applying IAS 17 at the end of the prior year, discounted using the incremental borrowing rate at the date of initial application, and the lease liability recognised in the statement of financial position at the date of initial application.

NOTE 7: RECONCILIATION OF HEADLINE EARNINGS

The following table reflects the information used in the calculation of the basic, headline and diluted earnings per share:

Figures in Rand	2020	2019
Profit for the year attributable to ordinary shareholders	149 832 429	124 612 854
Gain on sale of investment in associate	(8 664 739)	-
Capital gains tax on sale of investment in associate	1 104 823	-
Headline earnings	142 272 513	124 612 854

Headline earnings per share	Number	Number
Number of ordinary shares in issue	1 310 000 000	1 555 000 000
Weighted average number of ordinary shares in issue	1 333 003 863	1 495 475 231
Diluted weighted average number of ordinary shares in issue	1 363 003 863	1 525 475 231
Basic earnings per share (cents)	11,24	8.33
Headline earnings per share (cents)	10,67	8.33
Diluted earnings per share (cents)	10,99	8.17
Diluted headline earnings per share (cents)	10,44	8.17

The increase in diluted weighted average number of ordinary shares in issue is due to the pending allotment, after the financial year-end, of 30 million ordinary shares to the vendors of Synthesis, in terms of the contingent consideration referred to in note 3.

NOTE 8: DIVIDENDS

A dividend of 2.00 cents per ordinary share was declared on 10 June 2019 amounting to R31.10 million. A dividend of 2.25 cents per ordinary share was declared on 18 November 2019 amounting to R29.48 million. The total dividends paid during the year amounted to R60.58 million (2019: R66.09 million).

NOTE 9: FAIR VALUE

The Fair values of the recognised financial instruments are not materially different from the carrying amounts reflected in the Statement of Financial Position.

NOTE 10: POST-YEAR-END EVENTS

The Group believes COVID-19 is a "non-adjusting event" and that circumstances arising from COVID-19 have had little negative impact on the results at 31 March 2020. The Group has successfully implemented the processes and procedures for business continuity in a COVID-19 trading environment, as required by Regulation. The Group has not experienced any material operating and servicing disruptions or any material deterioration in trading performance for the period from the financial year-end, dated 31 March 2020, to the date of this report.

The significant estimates, judgements and assumptions made in preparing the Group's results have remained constant at this stage despite the pandemic. The Group is currently not exposed to credit risk and at the time of reporting, no significant change in this credit risk position has been noted. Management will, however, continue to actively monitor this. At this stage, no significant impairments of the company's assets are expected to arise; further assessment of this will be conducted as the new financial year unfolds. There has been no significant negative impact on the net realisable value of inventory as a result of the crisis. To date, the Group has not had to seek relief from the government or other suppliers as a result of COVID-19.

Review opinion

These provisional condensed group financial results for the year ended 31 March 2020, have been reviewed by the Group's auditor, Ernst & Young Inc., who expressed an unmodified review conclusion. The auditor's report does not necessarily report on all of the information contained in these financial results. Shareholders are therefore advised that in order to obtain a full understanding of the nature of the auditor's engagement, they should obtain a copy of the auditor's report together with the accompanying financial information from the Group's registered office.