

 **CAPITAL
APPRECIATION**

Audited consolidated
financial results
and cash dividend
declaration

for the year ended
31 March

2021



“

During the past year, COVID-19 placed South Africa on an irreversible path. Many of our and other new technology applications introduced welcome solutions, functional convenience and meaningful advantage into our daily lives – there can be no turning back

”

Michael (Motty) Sacks
Chairman

The consolidated financial statements and auditor's report are available on the Company's Website at www.capitalappreciation.co.za

Salient features

Operational

- COVID impact delayed clients' decisions on projects and new terminal orders
- Terminals in the hands of customers grew to 217 000, representing 17% growth year-on-year
- Good traction with the introduction of Android terminals
- Strong acceleration in Synthesis' annuity income
- Accelerating digitalisation intensifies demand for the Group's services
- Positive growth in business pipeline
- Significant reduction in interest income due to 300 bps interest rate cuts

Financial

	2021	2020	% change
Revenue (R'million)	619.5	701.2	(11.7%)
Trading profit (R'million)	186.9 ³	206.1 ²	(9.3%)
EBITDA (R'million)	172.9 ³	204.7 ²	(15.5%)
EPS (cents)	10.28 ³	11.24 ^{1,2}	(8.5%)
HEPS (cents)	10.34 ³	10.67 ^{1,2}	(3.1%)
Cash flow from operations (R'million)	200.9	206.1	(2.5%)
Annual dividend (cents)	5.50	5.00	10%
Net asset value (cents)	111.9	109.0	2.6%
Cash available for reinvestment (R'million)	538.3	505.1	6.6%

¹ Includes a R17.7 million advantage in interest income earned in 2020, due to the repo rate being 300 bps higher during the comparative year

² Includes an unrealised R14.6 million mark-to-market foreign exchange gain and an R8.7 million profit on the disposal of our investment in Resonance Australia in the 2020 financial year.

³ Includes an unrealised R1.2 million mark-to-market foreign exchange loss in 2021

Commentary

Capital Appreciation is a FinTech enterprise with two business segments – **Payments and Payment Infrastructure** (“Payments”) and **Software and Services** (“Software”).



Payments: The Payments segment comprises two businesses. African Resonance and Dashpay are leading direct and indirect providers of payment infrastructure and payment technology solutions to established financial institutions, emerging payment service providers and corporate customers in the retail, fuel, restaurant, hospitality and healthcare sectors. Dashpay’s multi-product, multi-party universal transacting platform and value-added services solutions are intended to complement existing payment services provided by the Group’s established banking and institutional client base.

Synthesis is a specialised software development and consulting company led by business and technology experts. Synthesis creates solutions based on its in-depth understanding of software, business, and leading technology. With over 24 years’ business and emerging technology experience, as well as its unique position in Africa as an AWS Advanced Consulting Partnership with a broad range of additional specialist competencies, it is the partner of choice to pioneer innovation and competitiveness, and the company of choice that top technologists call home. Synthesis is recognised for creating strategic solutions and driving digital journeys for banking, financial services, retail, and healthcare institutions in South Africa, Africa, Mauritius, and the Asia Pacific regions.

Enterprise Development Funding: Capital Appreciation supports and advances several commercial transformation initiatives, including its enterprise development funding and technology development expertise to GovChat, a black-controlled technology start-up which offers a platform to measure and enhance government interaction with citizens. GovChat is noted as one of AWS’s premier Public Sector initiatives globally. Capital Appreciation owns 35% of the entity.



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

Introduction

Generally declining economic conditions in South Africa were compounded by the financial consequences of the COVID-19 pandemic, in our case, for the entire 12 months of our financial year. Under the circumstances, Capital Appreciation's operations performed extremely well, delivering credible and praiseworthy results. The Group attracted new customers across different sectors locally and abroad, gained good traction in the roll-out of its Android platforms, launched new products and accelerated its annuity income. This, together with stringent cost control, resulted in healthy cash generation.

The numerous lockdowns and pandemic related restrictions negatively impacted the retail sector and the industries that service them, including financial institutions that interact with retailers. The financial ramification of COVID is reflected in the reduced number of merchants serviced through the banks and Dashpay, some of whom closed their doors permanently. In addition, given the economic uncertainty, many of our institutional clients adopted a cautious "wait-and-see" stance toward infrastructure expansion and capital expenditure. This resulted in a delay in infrastructure investments as well as a delay in the commencement by clients of large-scale projects. COVID was also the cause of some delays in

delivery of imports from our overseas suppliers. Fortunately, there has been a pleasing recovery in customer demand and activity since the beginning of the 2021 calendar year.

The Group has a well-established portfolio of clients in the financial and retail sectors, and it is gratifying that, notwithstanding the challenging environment, each of the Group's divisions retained its existing client base and attracted several new high-profile clients over the past year. This demonstrates the reciprocal trust and strength of our relationships and is directly attributable to the track records of innovation, quality and efficient service delivery of each of our divisions.

A unifying characteristic of the underlying businesses is that they are all in a growth and developmental phase of their respective lifecycles. The Group continues to invest in additional capacity and the development of new innovative product offerings in anticipation of a normalised recovery in commercial activity across its operations.

Summarised financial results

The Group generated gross revenue for the period of R619.5 million (2020: R701.2 million), a decrease of 11.7%. EBITDA of R172.9 million (2020: R204.7 million) reflects a decrease of 15.5%. Headline earnings

Commentary (continued)

decreased by 11.1% to R126.4 million (2020: R142.3 million), Basic EPS for the period was 10.28 cents (2020: 11.24 cents), down 8.5%, and HEPS was 10.34 cents (2020: 10.67 cents), a decline of 3.1%.

The material matters impacting these results include:

- A substantial order of terminals placed during the 2021 financial year could not be delivered before 31 March 2021. The order was completed in the first quarter of the 2022 financial year, generating significant revenue, profit and cash for the 2022 financial year.
 - An unrealised mark-to-market foreign exchange loss of R1.2 million on forward cover contracts. This compares to an unrealised mark-to-market foreign exchange gain of R14.6 million in the prior year.
 - The 300 basis points decline in the South African prime rate last year led to a weighted average decline of 2.8% in the interest rate yield enjoyed on cash balances. The resulting reduction in interest received of R17.7 million was 45.8% below last year, this notwithstanding higher cash resources.
 - The share-based payment expense increased from R1.7 million to R7.0 million due to the allocation of share incentives in terms of new, long-term incentive schemes introduced in the latter part of the prior year. The ability to offer share-based incentives is regarded as a significant competitive advantage in attracting and retaining highly sought-after skills.
- Dashpay's strong performance and financial improvement resulted in the recognition of a deferred tax asset of R11.3 million emanating from pre-acquisition assessed tax losses.
 - An R8.7 million profit on the disposal of the Group's investment in Resonance Australia in the 2020 financial year.

Capital Appreciation repurchased 1.2 million treasury shares in the 2021 financial year (2020: 45.1 million). As of 31 March 2021, Capital Appreciation held a total of 79 991 135 treasury shares at an average cost price of 70 cents per share which will be utilised for long-term incentive allotments and smaller acquisitions.

Capital Appreciation continues to be highly cash generative. At year-end, the Company had cash resources of R538.3 million (2020: R505.1 million). Cash represented 41 cents of the Group's closing share price of 100 cents on 31 March 2021. The Group's cash resources will be applied to fund anticipated organic growth as well as complementary acquisition opportunities. The Group will also continue to consider the repurchase of shares in the market, as appropriate.

A highlight this year has been the appetite for and the global appeal of

Halo, Synthesis' innovative payment solution. Halo is a "tap-to-phone" contactless payment solution, certified by Mastercard, Visa and American Express. The solution was also very recently certified by Visa, MasterCard and American Express for "pin-on-glass", which will allow Halo to be used for higher-value transactions. We anticipate that significant benefits will flow from this initiative for both the Payments and Software divisions. Halo has been in operation with a major South African bank for the past year and negotiations are underway with others. We are also working with channel partners to commercialise and sell Halo throughout the rest of Africa, into other emerging markets in the Asia Pacific region, as well as Central and Western Europe.

A further pleasing feature of the past year has been the increase in collaboration across the Group. This included Synthesis' development of the GovChat platform which has been assisting the South African Government with managing the social and economic impact of the COVID pandemic on its citizens.

Synthesis won the AWS sub-Saharan Africa Social Impact Partner of the Year Award for the development of GovChat's technology platform.

GovChat successfully introduced a digital application process for SASSA Social Relief of Distress (SRD) grants

and accessing COVID related services. Several government departments have approached GovChat to develop specific applications for their constituents. Further commercial opportunities are emerging in various countries across Africa. In recognition of the critical role GovChat is playing, the Group granted the enterprise further funding of R18.2 million this year. Synthesis also partnered with Dashpay to provide the mobile app for Dashpay's retail platform initiative with a major listed property company.

In building its growth pipeline, the Group acquired a 26.52% stake in start-up LayUp Technologies in January 2021 with the right to increase the Group's ownership over time. LayUp is Africa's first fully digital Lay-By and recurring payments business and offers a Payment Association of South Africa (PASA) certified omnichannel digitised payment plan solution for retailers, opening new revenue streams for merchants whilst simultaneously providing improved access for consumers. The solution is available for e-commerce and in-store purchases.

Divisional review

Payments division

The Payments division's performance was hampered by the impact of COVID, specifically on the restaurant, hospitality and retail sectors which resulted in reduced demand for payment terminals

Commentary (continued)

and requests for terminal rental relief. In addition, the late delivery of a large consignment of terminals had a notable impact on revenue. The Payments division generated revenue of R397.4 million (2020: R506.2 million), down 21.5% and EBITDA of R140.4 million (2020: R161.8 million), down 13.2%. Profit after tax of R112.3 million (2020: R115.3 million) was down 2.6%.

Dashpay has been in a start-up and development phase since acquisition, building, refining, and upgrading its platforms, systems, and infrastructure. Dashpay's improved financial performance supported the recognition of a deferred tax asset in the 2021 financial year and Dashpay has budgeted for sustainable revenue, profit and cash flow growth in the 2022 financial year.

Terminal sales declined by 36.8% to R209.5 million (2020: R331.6 million). Despite the lower sales, Payments continued to grow market share with the total number of terminals in the hands of customers increasing by 17% to 217 000 units. Sales growth continued in the first half of the year, but actual deployments decreased as banks' merchant base customers contracted. Deployment of terminals, however, improved in the second half of the year with the total deployed estate growing by 30% to 175 000 units. New terminal orders resumed towards the end of the financial year, although

only delivered in quarter one of the 2022 financial year. Legacy rental income continued to decline as clients shifted from rented to purchased terminals.

In contrast, annuity-based service and maintenance income on the deployed terminals grew by 19.6% in the 2021 financial year. The Payments division provides end-to-end terminal estate management services for its clients. This has enabled the company to build a growing long-term annuity revenue stream, linked to a sizable terminal base and attractive value-added services.

Annualised Gross Transaction Value (GTV) within the Dashpay business grew by 30.6% to R6.4 billion, despite being affected by the COVID-related decline in commercial activity processed through terminals. Certain terminals had to be written off, due to an inability to recover the terminals from merchants who had ceased to operate. This notwithstanding, Dashpay's active user base increased by 81.5% year-on-year.

Expenses and assets were prudently managed, with the cost base declining on a comparable basis. Cash generation remained strong.

The Payments division is the first supplier in South Africa to deploy certified Android terminals as part of a broader integrated service. The Android terminals' attractive functionality, price,

and quality have been welcomed by the market, with a strong pipeline, including committed orders, for 2022.

Dashpay completely retrofitted its transaction processing switch which dynamically routes payment transactions between multiple acquirers and payment service providers. This laid the groundwork for further innovation such as e-commerce platforms and multi-lane retail solutions. A key project publicly launched this year was a closed loop, proprietary gift card solution with a loyalty programme for a leading listed property company. The solution is currently live in the largest retail mall in Africa and will be rolled out to additional malls in its next phase. We also launched an enhanced loyalty solution for use in both physical retail and e-commerce environments.

Compliance and reliability are essential elements of our client proposition and, despite the lockdown challenges, all our customers' systems were fully operational throughout the period. Significant improvements to hosting and redundancy of our service and backup were also implemented this year.

Software division

Synthesis is a strategic technology partner and highly specialised software and systems developer. The business provides cloud consulting, digital channel development, integration services, data, artificial intelligence,

machine learning, payments and technology-based product solutions to banking, financial services, retail, and healthcare sectors in South Africa and beyond.

During the pandemic challenging operating conditions inhibited key personal interaction with customers and employees but pleasing results were nevertheless achieved. The Company has seen a resurgence in new sales in recent months. Some customers cautiously reprioritise cash flows and capital expenditure, which lead to elongated sales cycles and delays in the commencement of new projects. Despite these challenges Synthesis succeeded in expanding its service offering both within its existing customer base and in the signing of agreements with several new customers, including several outside of South Africa.

The demand for cloud and digital services has accelerated under COVID.

Synthesis delivered a pleasing performance in a challenging year. Revenue increased by 13.9% to R222.1 million (2020: R195.0 million), with services and consultancy fees growing by 7.1%. Annuity income from licence and subscription fees increased by 47.2% due to the roll-out of Halo and Keystone products, as well as strong demand for RegTech products and a significant focus on

Commentary (continued)

third-party subscriptions and resale of products. Profit margins were maintained due to strong cost control initiatives with operating expenses remaining flat at R83.3 million. EBITDA increased by 6.8% to R57.5 million (2020: R53.8 million) and profit after tax increased by 2.8% to R37.9 million (2020: R36.9 million). The business was a particularly strong cash generator this year, with a cash conversion of more than 100%. Synthesis continued to invest in its infrastructure and intellectual property, which will further support revenue growth and profitability in the future.

Synthesis' three main businesses, Cloud services, Digital, and RegTech, all performed well, with a strong contribution from new areas such as Managed Services (MSP), Intelligent Data and Payments, albeit off a low base.

Synthesis' mainstay partnership with AWS continues to provide significant benefits to the Group as AWS grows its presence in sub-Saharan Africa.

In addition to Synthesis' success with its Halo project, the company is also looking at other ways to internationalise its service offering given its ability to deliver services anywhere in the world. While geographic expansion remains in its infancy, Synthesis is already operating in 10 markets outside South Africa, has been successful in growing its

Mauritian market, and is exploring opportunities in Asia Pacific. Revenue outside South Africa increased by 27.3% to R27.1 million from R21.3 million in the prior year. Synthesis anticipates opening a European office in Amsterdam in the 2022 financial year.

The strategy to target new customer verticals of retail, telecoms, and healthcare continues to gain further traction. Synthesis has also fostered a new partnership with Salesforce – one of the world's largest cloud-based software companies providing customer relationship management and a complementary suite of enterprise applications focused on customer service, marketing automation, and customer analytics. Synthesis' endeavour with Salesforce will commence in the 2022 financial year.

Customer demand increased notably in the second half of the 2021 financial year and Synthesis enjoys a strong position in terms of committed orders, with a healthy pipeline at the start of the 2022 financial year. Good growth is expected to continue in annuity-based revenue in licence and subscription fees.

Prospects and conclusions

Capital Appreciation continues to successfully coordinate all of its activities in order to maximise the

Group's potential across business units, to diversify revenue streams, and to use common synergies for the benefit of our customers and stakeholders. Synthesis' Amsterdam office will allow it to capitalise on international opportunities matched to our skillset, services and product offerings. We will continue to focus on Halo, both domestically and in Africa, and more broadly in other markets. Within the Payments division, we will continue to expand our terminal base, develop and grow the Android platform, and enhance our suite of services offered to enterprise clients through Dashpay.

Digital transformation, electronic payments, and related advances continue to accelerate. The Group has the appropriate skills, experience, and track record of innovation to assist clients to benefit from these technological advancements. We are excited about the increased adoption of new technologies and ways of transacting by our clients, as well as opportunities presented by new payment platforms. We have recently experienced a surge in demand for our services across a diverse range of applications, culminating in a strong sales pipeline for the 2022 financial year. While we are cautiously optimistic, the full realisation of these opportunities will remain subject to conducive macro and microeconomic environments.

Capital Appreciation has a well-capitalised balance sheet and the robust operating cash flows necessary to take advantage of organic growth opportunities available to each of our business units. The Group also has significant cash resources to consider various Fintech-related acquisitive opportunities.

Dividends

The Board has pleasure in announcing that a final dividend of 3.00 cents per ordinary share has been declared (2020: 2.75 cents), bringing the total dividend for the year to 5.50 cents per share (2020: 5.00 cents).

We note the following:

- Dividends are subject to dividends withholding tax.
- The payment date for the dividend is Monday, 12 July 2021.
- Dividends have been declared out of profits available for distribution.
- Local dividends withholding tax is 20%.
- Gross dividend amount is 3.00 cents per ordinary share, which is 2.40 cents per ordinary share net of withholding tax.
- Capital Appreciation Limited has 1 310 000 000 ordinary shares in issue at the declaration date.
- Capital Appreciation Limited's Income Tax Reference Number is 9591281176.

Commentary (continued)

The salient dates relating to the dividend are as follows:

Last day of trade <i>cum</i> dividend	Tuesday, 6 July 2021
Shares commence trading ex-dividend	Wednesday, 7 July 2021
Dividend record date	Friday, 9 July 2021
Dividend payment date	Monday, 12 July 2021

Share certificates for ordinary shares may not be dematerialised or rematerialised between Wednesday, 7 July 2021 and Friday, 9 July 2021, both days inclusive.

Accounting policies and basis of preparation

These summarised group preliminary 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 of South Africa. The accounting policies and methods of computation used in the preparation of these summarised group financial results are in terms of IFRS and are consistent in all material respects with those applied in the 2020 group audited financial statements.

Audit opinion

Ernst & Young Inc., the Group's Independent auditors, have audited the consolidated financial statements of Capital Appreciation Limited from which the summarised group financial results have been derived. The auditors have expressed an unmodified audit opinion on the consolidated financial statements. Any reference to future financial performance included in this announcement has not been audited or reported on by the auditors. 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.

Preparation of summarised financial reports

The summarised consolidated 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 21 June 2021. For further information hereto, please refer to the section above captioned Accounting Policies and Basis of Preparation.

Forward-looking statements

This announcement contains forward-looking statements with respect to the economy and the results of the operations of the Group, 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 and Bradley Sacks

Joint Chief Executive Officers

Alan Salomon

Chief Financial Officer

Sandton

21 June 2021

The audited annual financial statements are available on the Company's website at www.capitalappreciation.co.za

Group statement of financial position

At 31 March 2021

Figures in R'000	Notes	2021	2020
ASSETS			
Property, plant and equipment		25 635	28 837
Intangible assets	1	61 226	61 871
Right-of-use assets		16 210	24 433
Goodwill	2	728 578	728 578
Investment in associates	3	5 857	*
Loan to associate	4	19 645	–
Deferred tax		18 563	7 424
Non-current assets		875 714	851 143
Inventories		17 017	8 140
Trade and other receivables		47 461	81 098
Loan to associate	4	–	1 456
Taxation receivable		2 039	870
Cash and cash equivalents		538 316	505 121
Current assets		604 833	596 685
Total assets		1 480 547	1 447 828
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	5	1 003 261	976 600
Share-based payment reserve		9 926	2 889
Contingent consideration reserve	6	–	24 900
Retained income		362 707	304 628
Total equity		1 375 894	1 309 017
Lease liability		11 104	19 555
Deferred revenue		5 454	8 733
Deferred tax		8 787	12 502
Non-current liabilities		25 345	40 790
Contingent consideration	6	–	10 000
Trade and other payables		59 942	68 725
Lease liability		8 451	7 601
Deferred revenue		10 838	5 153
Taxation payable		77	6 542
Current liabilities		79 308	98 021
Total equity and liabilities		1 480 547	1 447 828
* Investments in associate in aggregate amounts to less than R1 000.			
Net asset value per ordinary share (cents)		111.9	109.0

Group statement of comprehensive income

For the year ended 31 March 2021

Figures in R'000	Notes	2021	2020
Revenue	7	619 513	701 230
Cost of sales		(307 827)	(368 996)
Gross profit		311 686	332 234
Other income		197	17 077
Operating expenses		(125 030)	(143 183)
Trading profit		186 853	206 128
Share-based payment expense		(7 037)	(1 717)
Depreciation: property, plant and equipment		(8 898)	(9 810)
Depreciation: right-of-use assets		(8 223)	(7 968)
Amortisation of intangibles		(18 300)	(16 645)
Transformation costs		(6 567)	(8 031)
Operating profit		137 828	161 957
Finance income		20 981	38 724
Finance costs		(67)	(728)
Finance costs: lease liabilities		(1 753)	(2 305)
Equity accounted loss in associate		(350)	(346)
Gain on sale of investment in associate		–	8 665
Profit before taxation		156 639	205 967
Taxation	8	(30 939)	(56 135)
Profit after taxation		125 700	149 832
Other comprehensive income		–	–
Total comprehensive income for the year		125 700	149 832
Basic earnings per share (cents)	9	10.28	11.24

Group statement of changes in equity

For the year ended 31 March 2021

Figures in R'000	Ordinary share capital	Share-based payment reserve	Contingent consideration reserve	Retained income	Total equity
Balance at 31 March 2019	1 204 657	1 172	24 900	216 386	1 447 115
Repurchase of cancelled ordinary shares	(192 726)	–	–	–	(192 726)
Costs associated with repurchase of cancelled ordinary shares	(1 445)	–	–	–	(1 445)
Costs associated with circular	–	–	–	(1 585)	(1 585)
Share-based payment expense	–	1 717	–	–	1 717
Purchase of treasury shares	(33 886)	–	–	–	(33 886)
Cash dividends paid	–	–	–	(57 827)	(57 827)
Settlement of pre-acquisition tax receivable	–	–	–	(2 178)	(2 178)
Total comprehensive income for the year ended 31 March 2020	–	–	–	149 832	149 832
Balance at 31 March 2020	976 600	2 889	24 900	304 628	1 309 017
Share-based payment expense	–	7 037	–	–	7 037
Settlement of contingent consideration reserve	27 900	–	(24 900)	(3 000)	–
Purchase of treasury shares	(1 239)	–	–	–	(1 239)
Cash dividends paid	–	–	–	(64 621)	(64 621)
Total comprehensive income for the year ended 31 March 2021	–	–	–	125 700	125 700
Balance at 31 March 2021	1 003 261	9 926	–	362 707	1 375 894

Group statement of cash flows

For the year ended 31 March 2021

Figures in R'000	Notes	2021	2020
Cash flow from operations		200 944	206 086
Finance income received		20 981	38 076
Finance costs paid		(1 820)	(2 305)
Dividends paid		(64 621)	(57 827)
Taxation paid		(53 427)	(57 852)
Net cash flow from operating activities		102 057	126 178
Cash flows from investing activities			
Acquisition of property, plant and equipment		(7 420)	(17 756)
Proceeds on disposal of property, plant and equipment		733	546
Acquisition of intangible assets		(7 292)	(10 202)
Capitalisation of intangible assets		(9 489)	(6 056)
Acquisition of associate		(6 207)	–
Loan to associate	4	(18 189)	–
Proceeds from loan to associate		–	5 021
Proceeds from disposal of associate	3	–	34 979
Costs associated with sale of associate	3	–	(300)
Costs associated with circular		–	(1 585)
Payment of contingent consideration	6	(10 000)	–
Net cash flow from investing activities		(57 864)	4 647
Cash flows from financing activities			
Repayment of lease liability		(7 601)	(6 427)
Loan to associate	4	–	(1 456)
Repurchase of 245 000 000 cancelled ordinary shares		–	(192 726)
Costs associated with repurchase of 245 000 000 cancelled ordinary shares		–	(1 445)
Purchase of 1 204 784 treasury shares (2020: 45 144 351)		(1 239)	(33 890)
Net cash flow from financing activities		(8 840)	(235 944)
Net increase/(decrease) in cash and cash equivalents		35 353	(105 119)
Cash and cash equivalents at beginning of year		505 121	608 793
Net foreign exchange difference		(2 158)	1 447
Cash and cash equivalents at end of year		538 316	505 121

Group segment analysis

For the year ended 31 March 2021

Figures in R'000	Payments and Payment Infrastructure	
	2021	2020
Revenue received from all customers*	397 422	506 183
Revenue received from all customers	397 422	506 183
Less: Revenue received from intra group customers	–	–
Trading profit/(loss)	146 481	168 241
Depreciation: property, plant and equipment	(6 038)	(7 674)
Depreciation: right-of-use assets	(5 398)	(5 143)
Amortisation of intangibles	(2 333)	(1 786)
Operating profit/(loss)	126 659	147 161
Net finance income	11 343	14 514
Finance costs: lease liabilities	(1 059)	(1 435)
Profit/(loss) after taxation	112 300	115 270
Total assets	324 010	289 215
Total liabilities	53 968	70 990
Net assets	270 042	218 225
Geographical information		
Revenue		
South Africa	383 437	506 183
Rest of Africa and Indian Ocean Islands	13 985	–
Asia Pacific	–	–
United States of America	–	–
	397 422	506 183

* Refer to note 7 for a breakdown of the description of Revenue.

For management purposes, the Group is organised into business units based on its products and services and has two reportable segments, as follows:

- The Payment and Payment Infrastructure division, which generates revenue from 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 Payment and Payment Infrastructure division is an aggregation of African Resonance and Dashpay as they both generate revenue from similar types of transactions.
- The Software and Services division, which generates revenue from services and consultancy fees, licence and subscription fees and sale of computer hardware.

Corporate provides the Group with strategic direction; regulatory compliance and governance; administrative, financial and secretarial services; insurance advice; internal audit and group treasury management.

No reliance is placed on one major customer.

All assets and liabilities are held in South Africa

	Software and Services		Corporate		Group	
	2021	2020	2021	2020	2021	2020
	222 091	195 047	–	–	619 513	701 230
	225 149 (3 058)	195 047 –	– –	– –	622 571 (3 058)	701 230 –
	61 630 (2 212) (1 731) (2 699)	56 844 (1 597) (1 731) (1 591)	(21 258) (648) (1 094) (13 268)	(18 957) (539) (1 094) (13 268)	186 853 (8 898) (8 223) (18 300)	206 128 (9 810) (7 968) (16 645)
	50 813 815 (458)	48 875 1 647 (565)	(39 644) 8 756 (236)	(34 079) 21 835 (305)	137 828 20 914 (1 753)	161 957 37 996 (2 305)
	37 882 114 111 34 370	36 861 90 250 34 800	(24 482) 1 042 426 16 315	(2 299) 1 068 363 33 021	125 700 1 480 547 104 653	149 832 1 447 828 138 811
	79 741	55 450	1 026 111	1 035 342	1 375 894	1 309 017
	194 954 16 670 2 008 8 459	173 733 14 341 – 6 973	– – – –	– – – –	578 391 30 655 2 008 8 459	679 916 14 341 – 6 973
	222 091	195 047	–	–	619 513	701 230

Notes

For the year ended 31 March 2021

1. Intangible assets

Figures in R'000	2021		
	Cost	Accumulated amortisation	Carrying value
Computer software	39 152	(9 358)	29 794
Customer web portal	86	(36)	50
Intangible asset recognised on acquisition of businesses	83 348	(51 966)	31 382
Customer relationships	67 818	(39 100)	28 718
Computer software	15 530	(12 866)	2 664
Total	122 586	(61 360)	61 226

Figures in R'000	2020		
	Cost	Accumulated amortisation	Carrying value
Computer software	21 497	(4 336)	17 161
Customer web portal	86	(26)	60
Intangible asset recognised on acquisition of businesses	83 348	(38 698)	44 650
Customer relationships	67 818	(29 117)	38 701
Computer software	15 530	(9 581)	5 949
Total	104 931	(43 060)	61 871

2. Goodwill

Figures in R'000	2021	2020
Carrying amount	728 578	728 578
Movement in goodwill		
Carrying value at the beginning of the year	728 578	728 578
Carrying value at the end of the year	728 578	728 578

In terms of IAS 36 – Impairment of Assets, the Group has tested for the impairment of Goodwill. No impairment of goodwill was required.

3. Investment in associates

Unlisted investments

Figures in R'000

	2021	2020
3.1 Resonance Australia Proprietary Limited		
17 580 shares at cost	–	29 746
Share of loss of associate	–	(3 732)
Sale of associate	–	(26 014)
Closing balance	–	–
Reconciliation		
Opening balance	–	26 360
Share of equity accounted loss in associate to date of sale	–	(346)
Related costs	–	300
Proceeds on disposal	–	(34 979)
	–	(8 665)
Capital profit on disposal of associate	–	8 665
Closing balance	–	–

The Company sold its 17.45% interest in Resonance Australia Proprietary Limited and its claims on the loan account of R5 021 341, for an aggregate amount of R40 million, which was settled on 17 September 2019.

Notes

For the year ended 31 March 2021

3. Investment in associates continued

Figures in R'000	2021	2020
3.2 Proximity ID Proprietary Limited		
69 shares at cost	460	460
Provision for impairment	(460)	(460)
Carrying and fair value	–	*

Synthesis has a 0.05% of the share capital of Proximity ID Proprietary Limited. The principal place of business is in Johannesburg, South Africa. The total investment in Proximity ID has been impaired during the year.

3.3 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 R'000	2021	2020
54 shares at cost	*	*
Carrying and fair value	*	*
Summarised financial information of associate		
Income statement		
Revenue	2 000	2 200
Loss before and after taxation	(8 596)	(2 974)
Statement of financial position		
Assets		
Non-current assets		
Property, plant and equipment	1 381	1 701
Intangible assets	21 220	6 268
Current assets		
Sundry receivables	2 628	2 336
Cash and cash equivalents	185	64
Total assets	25 414	10 369
Equity and liabilities		
Accumulated loss	(21 230)	(11 925)
Subordinated loans	37 897	15 652
Current liabilities		
Trade and other payables	8 747	6 642
Total equity and liabilities	25 414	10 369

* Investments in associate in aggregate amounts to less than R1 000.

3.4 GroEx Proprietary Limited

Synthesis holds a 15% interest in GroEx Proprietary Limited, a subsidiary of Afagri 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. GroEx is accounted for as an associate because M. Shapiro is a non-executive director of GroEx, which enables him to exercise significant influence.

Figures in R'000	2021	2020
18 shares at cost	*	*
Carrying and fair value	*	*
Summarised financial information of associate		
Income statement		
Revenue	1 466	362
Loss before and after taxation	(1 040)	(3 114)
Statement of financial position		
Assets		
Non-current assets		
Property, plant and equipment	–	84
Right-of-use asset	–	3 419
Intangible assets	4 623	1 863
Current assets		
Sundry receivables	713	615
Cash and cash equivalents	1 087	93
Total assets	6 423	6 074
Equity and liabilities		
Accumulated loss	(4 757)	(3 629)
Holding company loan	6 322	4 840
Current liabilities		
Lease liability	–	3 598
Trade and other payables	4 858	1 265
Total equity and liabilities	6 423	6 074

* Investments in associate in aggregate amounts to less than R1 000.

3.5 LayUp Technologies Proprietary Limited

The Group acquired a 26.52% interest in Layup Technologies Proprietary Limited on 4 January 2021.

LayUp is Africa's first fully digital Lay-By and recurring payments business.

The principal place of business is in Johannesburg and the company is incorporated in South Africa.

Notes

For the year ended 31 March 2021

3. Investment in associates continued

Layup is accounted for as an associate because two executive directors of one of the Company's subsidiaries, are non-executive directors of Layup, which enables them to exercise significant influence.

Figures in R'000	2021
118 702 shares at cost	6 207
Share of equity accounted loss in associate	(350)
Carrying and fair value	5 857

Summarised financial information of associate for the period 4 January 2021 to 31 March 2021

Figures in R'000	2021
Income statement	
Revenue	17
Loss before and after taxation	(1 367)
Statement of financial position	
Assets	
Non-current assets	
Property, plant and equipment	48
Intangible assets	1 709
Current assets	
Sundry receivables	120
Cash and cash equivalents	3 364
Total assets	5 241
Equity and liabilities	
Capital and reserves	4 187
Current liabilities	
Trade and other payables	1 054
Total equity and liabilities	5 241

No comparatives are shown as the investment was made on 4 January 2021.

4. Loan to associate

Figures in R'000	2021	2020
Govchat Proprietary Limited		
Opening balance	1 456	–
Loan granted during the year	18 189	1 456
Closing balance	19 645	1 456

During the prior year, an interest-free enterprise development loan was granted to Govchat Proprietary Limited and was repayable on demand. This loan was converted during the current financial year to a long-term loan and is repayable on 15 April 2022.

During the year, a further interest-free enterprise development loan was granted to Govchat Proprietary Limited and is repayable on 15 April 2022.

There are no estimated credit losses.

Govchat has pledged as a security for the loan from Capital Appreciation, all its rights, title and interest in and to all of Govchat's intellectual property and specifically including all the software rights, trade mark rights and technology source codes.

Disclosed in the statement of financial position as follows:

Figures in R'000	2021	2020
Non-current assets	19 645	–
Current assets	–	1 456
	19 645	1 456

Notes

For the year ended 31 March 2021

5. Share capital

Figures in R'000	2021	2020
Ordinary shares of no par value	1 003 261	976 600
	Number of shares	Number of shares
Authorised shares		
Ordinary shares of no par value	10 000 000 000	10 000 000 000
Constituent ordinary shares of no par value	4 000	4 000
Issued shares		
Ordinary shares of no par value in issue at beginning of the year	1 310 000 000	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	1 310 000 000
Ordinary shares of no par value repurchased (treasury shares)	(79 991 135)	(108 786 351)
Ordinary shares of no par value, net of treasury shares at the end of the year	1 230 008 865	1 201 213 649
Reconciliation of movement of issued ordinary shares		
Ordinary shares, net of treasury shares at the beginning of the year	1 201 213 649	1 491 358 000
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)	(1 204 784)	(45 144 351)
Ordinary shares of no par value allotted during the year from treasury shares	30 000 000	–
Number of issued ordinary shares, net of treasury shares at end of the year	1 230 008 865	1 201 213 649

6. Contingent consideration reserve

Figures in R'000	2021	2020
Cash	–	10 000
Shares	–	24 900
Total	–	34 900

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 received R10 million cash and an allotment of 30 million ordinary shares from treasury shares on 7 July 2020.

7. Revenue

Figures in R'000	2021	2020
Payments and Payment Infrastructure division		
Terminal rental income	22 623	32 535
Maintenance and support service fees from terminals	137 925	115 309
Sale of terminals	209 496	331 575
Transaction related income from terminals	27 378	21 203
Sundry revenue	–	5 561
	397 422	506 183
Software and Services division		
Services and consultancy fees	163 976	153 067
Licence and subscription fees	53 507	36 350
Hardware	4 608	5 630
	222 091	195 047
Total revenue	619 513	701 230

Notes

For the year ended 31 March 2021

7. Revenue continued

Disaggregation of revenue from contracts with customers

The Group disaggregates revenue from customers as follows:

Figures in R'000	2021	2020
Sale of goods		
Sale of terminals	209 496	331 575
Hardware	4 608	5 630
	214 104	337 205
Rendering of services		
Services and consultancy fees	163 976	153 067
Licence and subscription fees	53 507	36 350
Terminal rental income	22 623	32 535
Maintenance and support service fees from terminals	137 925	115 309
Transaction related income from terminals	27 378	21 203
Sundry revenue	–	5 561
	405 409	364 025
Total revenue	619 513	701 230

8. Taxation

Figures in R'000	2021	2020
Major components of the tax expense		
Current		
Local income tax current year	46 679	60 713
Local income tax prior year	(886)	–
Deferred		
Capital gains tax on sale of associate	–	1 105
Originating and reversing temporary differences*	(3 752)	(5 683)
Originating and reversing temporary differences on assessed tax loss**	(11 102)	–
South African normal tax	30 939	56 135

* Included are timing differences relating to property, plant and equipment and provisions.

** Included is an amount of R11 332 797 which is the recognition of a deferred tax asset recognised in Dashpay Proprietary Limited on the pre-acquisition assessed tax loss of R40 474 276.

8. Taxation continued

	%	%
Reconciliation of rate of taxation		
South African normal tax	28.0	28.0
Adjusted for:		
– Permanent differences**	(0.3)	(0.6)
– Prior year over provision	(0.6)	–
– Timing differences	–	(0.1)
– Timing differences on assessed tax loss	(7.2)	–
– Foreign withholding tax	(0.1)	(0.1)
Effective tax rate	19.8	27.2

** Includes non-deductible expenses relating to share-based payments as well as section 12H allowances and section 11(d) allowances (2020: capital gains tax on the sale of the associate).

9. Earnings per share

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

Figures in R'000	2021	2020
Profit for the year attributable to ordinary shareholders	125 700	149 832
Loss on disposal of property, plant and equipment	991	–
Tax on loss of disposal of property, plant and equipment	(277)	–
Impairment of investment in associate	*	–
Gain on sale of investment in associate	–	(8 665)
Capital gains tax on sale of investment in associate	–	1 105
Headline earnings	126 414	142 272

* In aggregate amounts to less than R1 000.

Notes

For the year ended 31 March 2021

9. Earnings per share continued

	2021 Number of shares	2020 Number of shares
Number of ordinary shares in issue ('000)	1 310 000	1 310 000
Weighted average number of ordinary shares in issue ('000)	1 222 965	1 333 004
Diluted weighted average number of ordinary shares in issue ('000)	1 237 594	1 363 004
	Cents per share	Cents per share
Earnings per share		
Basic earnings per share	10.28	11.24
Headline earnings per share	10.34	10.67
Diluted earnings per share	10.16	10.99
Diluted headline earnings per share	10.21	10.44

10. Fair value

Financial instruments are normally held by the Group until they close out in the normal course of business. The fair values of the group's financial instruments, which principally comprise forward exchange contracts approximate their carrying values. The maturity profile of these financial instruments fall due within 12 months.

There are no significant differences between carrying values and fair values of financial assets and liabilities.

Loans to associate, trade and other receivables and trade and other payables carried on the statement of financial position approximate the fair values.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The foreign exchange contract assets/liabilities are recognised at fair value under level 2. The inputs into the valuation include the market interest rates and foreign exchange rates, as well as yield curves. There have been no transfers between the levels during the year.

10. FAIR VALUE continued

Figures in R'000	2021	Level 1	Level 2	Level 3
Financial instrument Foreign exchange forward contracts (liability)	(1 158)	–	(1 158)	–
	2020	Level 1	Level 2	Level 3
Financial instrument Foreign exchange forward contracts (asset)	14 579	–	14 579	–

11. Dividends

A final dividend for the year ended 31 March 2020 of 2.75 cents per ordinary share was declared on 1 June 2020 amounting to R36.0 million. An interim dividend of 2.50 cents per ordinary share was declared on 2 December 2020 amounting to R32.8 million. The total dividends paid during the year amounted to R68.8 million (2020: R60.6 million).

12. Going concern

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

13. Post-year-end events

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 2021, to the date of this report.

COVID-19

The Group has successfully implemented the processes and procedures for business continuity in a COVID-19 trading environment, as required by Regulation.

The significant estimates, judgements and assumptions made in preparing the Group's results have remained constant, 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 Group'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.

Corporate information

Country of incorporation and domicile	Republic of South Africa
Registration number	2014/253277/06
JSE share code	CTA
A2X share code	CTAJ
ISIN	ZAE000208245
FTSE Industrial Classification sector	Software and Computer Services
Directors	MI Sacks # (Chairman), MR Pimstein* (Joint Chief Executive), BJ Sacks* (Joint Chief Executive), AC Salomon* (Chief Financial Officer), MB Shapiro*, B Bullo #, KD Dlamini #, JM Kahn #, EM Kruger #, RT Maqache #, R Morar #, VM Sekese #, CL Valkin # * Executive, # Non-Executive
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Company Secretary	PKF Octagon 21 Scott Street Waverley 2090
Auditor	Ernst & Young Inc. 102 Rivonia Road Sandton 2196
Sponsor	Investec Bank Limited 100 Grayston Drive Sandown Sandton 2196
Transfer Secretary	Computershare Investor Services Proprietary Limited Rosebank Towers 15 Biermann Avenue Rosebank 2196

