



CAPITAL  
APPRECIATION

# Audited summarised consolidated financial results and cash dividend declaration

FOR THE YEAR ENDED 31 MARCH

# 2022



“ Capital Appreciation is extremely proud of the role it plays in the global digital technology revolution, providing numerous benefits of convenience, accessibility and value to clients and communities in their daily lives. ”

**MICHAEL (MOTTY) SACKS**  
CHAIRMAN

# Profile

Capital Appreciation is a financial technology company that seeks to serve and partner with established and emerging financial institutions and other clients. The Company facilitates the provision of financial services technology platforms and delivers innovative technologies and solutions.



Payments division



Dashpay



Software Division



RESPONSIVE



International



CTA Enterprise Development Funding



**Payments:** The Payments division comprises three businesses:

- African Resonance and Dashpay are leading direct and indirect providers of payment infrastructure, technical support, maintenance, bespoke software, payment services and payment technology solutions. Dashpay offers a multi-product, multi-party universal transacting platform, and value-added services solutions.
- LayUp Technologies, a recent start-up in which Capital Appreciation is a 27.4% shareholder, is Africa's first digital lay-by and recurring payments business with solutions for e-commerce and in-store purchases.

**Software:** The Software division comprises two businesses:

- Synthesis is a strategic technology partner and highly specialised software and systems developer, offering consulting, innovative solutions, and technology-based products. Synthesis is uniquely positioned in Africa as an Amazon Web Services (AWS) Advanced Consulting Partner with a broad range of specialist competencies.
- Responsive Group, acquired by Capital Appreciation on 1 March 2022, designs and develops web and mobile digital applications with clients in South Africa, the USA, Europe, and the United Kingdom.

**International:** The International division is a recently formed business unit located in the Netherlands, aimed at broadening the Group's geographic reach, expanding the Group's client base and increasing its exposure to new and emerging technologies and global best practice.

Capital Appreciation subscribed for 20% of Regal Digital B.V. on 13 May 2022. Regal Digital B.V. comprises a Web 3.0 consulting business Firelava and Flamelink, a SaaS solution for Google's Firebase.

**Enterprise Development Funding:** Capital Appreciation owns 35% of GovChat, a black-controlled technology start-up. GovChat owns and operates a technology platform that facilitates bilateral engagement between citizens and their government. GovChat is noted as one of AWS's premier Public Sector initiatives globally.

\* Further detail on the nature of all Capital Appreciation business units is available on the Company's website, at [www.capitalappreciation.co.za](http://www.capitalappreciation.co.za).

## 2022 highlights

### OPERATIONAL FEATURES

- Strong demand for Group's products and services as corporate investment in digitalisation accelerates
- Terminal sales up 51%, with Android terminals enjoying significant demand
- Strong growth in the Software division with revenue increasing by 34%
- International division established in June 2021
- Acquisition of the Responsive Group adding new capabilities and clients
- International revenue grew by 33%
- Compelling business pipeline across all businesses
- Improved operating margins from scale benefits and operating efficiencies
- Strong cash conversion continues to contribute to significant cash resources

### FINANCIAL FEATURES

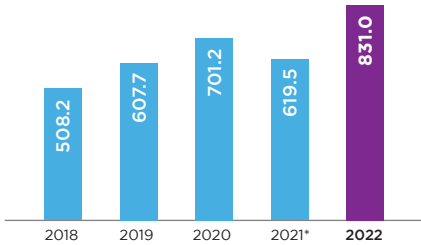
	March 2022	March 2021	% change
Revenue (R'million)	<b>831.0</b>	619.5	34.1
Trading profit (R'million)	<b>273.2</b>	186.9	46.2
EBITDA (R'million)	<b>251.6</b>	172.9	45.5
EBITDA margin (%)	<b>30.3</b>	27.9	240bps
Operating profit (R'million)	<b>211.8</b>	137.8	53.7
EPS (cents)	<b>13.37</b>	10.28	30.1
HEPS (cents)	<b>13.40</b>	10.34	29.6
Annual dividend (cents)	<b>7.50</b>	5.50	36.4
Cash available for reinvestment (R'million)	<b>533.4</b>	538.3	(0.9)
Net asset value (cents)	<b>120.6</b>	111.9	7.8

PAYMENTS  
REVENUE  
5-YEAR  
CAGR 21%

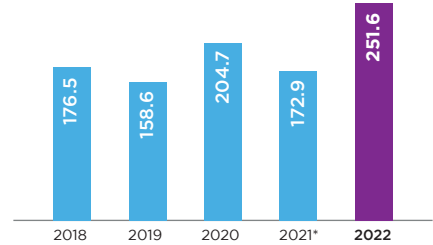
SOFTWARE  
REVENUE  
5-YEAR  
CAGR 31%

# 5-year performance

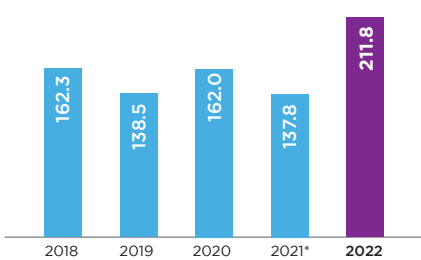
REVENUE (Rm)  
up 34%



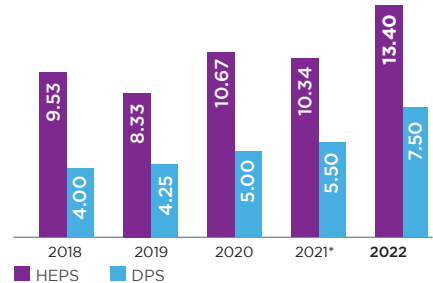
EBITDA (Rm)  
up 46%



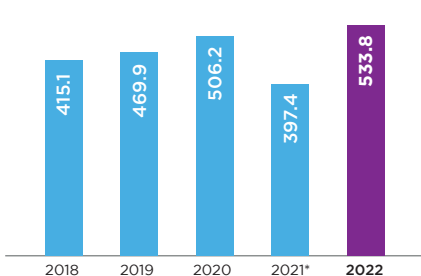
OPERATING PROFIT (Rm)  
up 54%



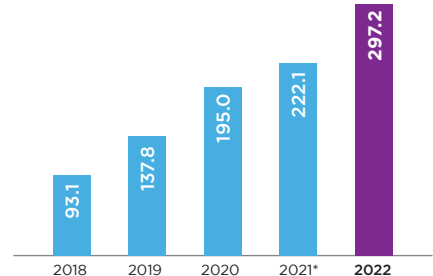
HEPS (cents) up 30%  
DPS (cents) up 36%



PAYMENTS REVENUE (Rm)  
up 34%



SOFTWARE REVENUE (Rm)  
up 34%



\* 2021 was significantly impacted by the Covid-19 pandemic

# Commentary

## INTRODUCTION

Capital Appreciation has experienced a strong acceleration in commercial activity and increasing interest in its turnkey solutions over the year. Financial services companies, especially, have generated very strong results and have displayed a renewed confidence to upgrade and expand their terminal fleets and invest in digital innovation. The Group's financial results to 31 March 2022 reflect a pleasing performance from each underlying business unit and clearly reveal the strong demand for the Group's innovative technology products and solutions.

In the current year, the Capital Appreciation divisions attracted several new high-profile local and international clients, adding to its enviable client base in the banking, financial, retail, healthcare, telecommunications, and more recently, logistics sectors. The Group prides itself on providing its clients with innovation, quality, and unparalleled service delivery.

The strong demand for the Group's services required considerable investment in critical resources to deliver on the project pipelines. Investment was also required to position the Group optimally for growth through R&D expenditure on innovative products and solutions. The Group increased headcount year-on-year by 24.0% to 427 staff members (2021: 344) and appointed several senior executives in key positions. The Group also facilitated a sizable intake of new applicants in its graduate recruitment and learnership programmes. The learnership programme provides real and measurable opportunities to young and marginalised South Africans. The divisions continued to implement a range of initiatives to improve their other transformation credentials, leading to a pleasing improvement in

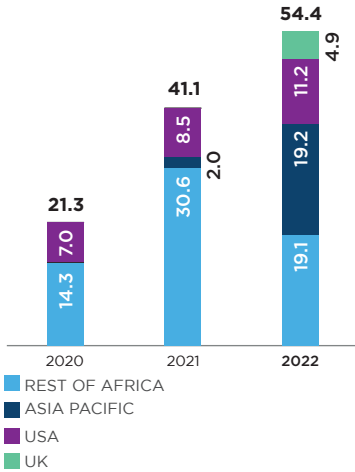
the Synthesis and African Resonance B-BBEE ratings to a Level 2 and a Level 3 contributor, respectively. Dashpay maintained its Level 3 and the Group its Level 4 B-BBEE status.

## SUMMARISED FINANCIAL RESULTS

Capital Appreciation generated gross revenues for the year of R831.0 million (2021: R619.5 million), an increase of 34.1%. EBITDA grew by 45.5% to R251.6 million (2021: R172.9 million). Headline earnings increased by 29.5% to R163.7 million (2021: R126.4 million). Basic EPS for the year was 13.37 cents per share (2021: 10.28 cents) and HEPS was 13.40 cents per share (2021: 10.34 cents), an increase on the prior year of 30.1% and 29.6%, respectively. A final dividend of 3.75 cents has been declared for the year ended 31 March 2022 (2021: 3.00 cents per ordinary share) bringing the total dividend for the year to 7.50 cents per ordinary share (2021: 5.50 cents per ordinary share). This represents an increase of 36.4% on the prior year.

These results have been achieved through strong topline revenue growth and good operating leverage in the Group's businesses. Revenue benefited from the fulfilment of large terminal orders in the year and pleasing growth in terminal transaction income, as well as significant increases in cloud-based and digital consulting services and third-party software and Hardware Security Module (HSM) sales. The revenue mix continues to evolve with the introduction of new products, services, and geographies. Non-SA revenue grew by 32.5%, as the Group continued to expand its presence outside of South Africa.

## INTERNATIONAL INCOME (Rm) up 33%



Expenses were well-managed. Other than payroll which constitutes a major component of the Group's costs, management successfully contained all operating costs within the current South African inflation rate. The Group continued to invest to attract the right people. The share-based payment expense, a non-cash flow expense, increased from R7.0 million to R12.0 million and remains a key contributor to retaining scarce technical skills within the Group. The launch of several newly developed products resulted in increased marketing and development expenditure, and additional costs were incurred on the Halo Dot initiative and to set up the Group's new operations in the Netherlands, all in anticipation of future income generation. Most of the leases on rented real estate in the Group will terminate in the next 15 months and Capital Appreciation is optimistic that new, more efficient, and tailor-made premises will be sourced with a meaningful reduction in rental cost.

Despite the sizeable costs expensed in building capacity, international expansion and new product innovation, profit margins improved due to greater scale efficiencies, cost optimisation and strong discipline in buying processes. EBITDA margin in the period increased by 240 basis points to 30.3% (2021: 27.9%).

It is interesting to note that the intangibles that arose from the acquisition of businesses in 2017 will be fully amortised in the next 16 months, leading to a further reduction in certain costs and a commensurate increase in prospective headline earnings in the years ahead.

Finance income earned on the Group's significant cash balances increased by 10.7% to R23.2 million, a function of the higher average cash balances and a modest increase in interest rates. The Group paid full tax in the year. We draw attention to the non-recurrence of an R11.3 million reduction in the prior year's tax charge, which was due to the recognition of deferred tax in Dashpay in 2021. Absent the tax benefit in 2021, the percentage increase in EPS and HEPS would have been similar to the percentage increase in EBITDA.

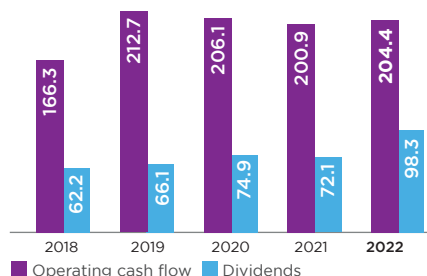
Operating returns from the underlying businesses continue to grow. Returns at the Group level are moderated by the large cash holdings on the balance sheet. Improvements in shareholders' return and dividend yield are both key objectives in our endeavours of developing the Group for the long term.

Treasury shares increased from 79 991 135 to 80 911 595 shares. Capital Appreciation repurchased 13 377 540 shares during the year, at an average price of 123 cents per share, sold 1 380 000 treasury shares for settling vested share options and allotted 11 077 080 shares to the vendors for the partial initial share consideration for the Responsive acquisitions.

## Commentary continued

Capital Appreciation's divisions remain highly cash generative, which has continued to strengthen the Group's balance sheet during this year. A build-up of receivables at the end of the financial year was largely settled in April and May 2022. The main cash outflows have been the repurchase of treasury shares of R16.4 million, additional loans to associates of R33.8 million, as well as the initial cash consideration of the Responsive acquisition, amounting to R13.3 million. Despite these outflows, as well as growth in dividends paid amounting to R82.1 million (2021: R64.6 million), the Group had cash resources of R533.4 million at 31 March 2022 (2021: R538.3 million).

### CASH FLOW AND DIVIDENDS



**5-year operating cash flow of R990 million  
5-year dividends paid of R373 million, or  
26.25 cents per share**

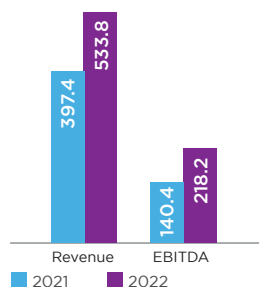
These resources will be applied in the first instance, to fund anticipated organic growth, the development of new solutions and thereafter to pursue or supplement the cost of new complementary acquisition opportunities. Given the appropriate circumstances, the Group will continue to consider the repurchase of shares in the market.

## DIVISIONAL REVIEW

### Payments

The Payments division generated excellent growth in revenue and profit, benefitting from a significant pipeline of terminal orders and continued growth of its payment services activities. The business was in a fortunate position to be able to satisfy the majority of the demand, despite significant challenges in the global semiconductor space and supply chain. Payments generated revenue of R533.8 million (2021: R397.4 million), up 34.3% and grew EBITDA by 55.4% to R218.2 million (2021: R140.4 million).

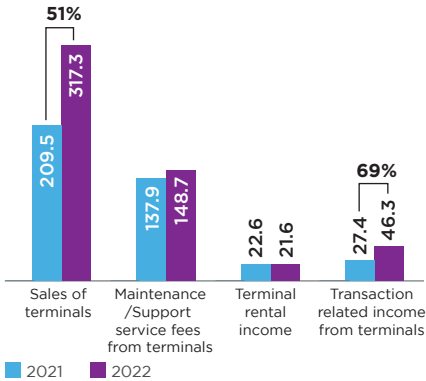
### PAYMENTS (Rm)



Terminal sales increased by 51.4% to R317.3 million. This brings the total number of terminals in the hands of clients to 277 000, an increase of 27.7%, and reflects a compounded annual growth rate of 41% since 2017 when the estate was approximately 49 000 terminals. This growth is a result of both a growing market opportunity and material gains in market share. Payments experienced strong demand in the adoption of Android terminals, given their attractive functionality, price, and quality. The Newland Android product has now been certified and rolled out by three banks. It has also attracted other clients beyond the Group's traditional banking relationships and is starting to make inroads into Africa,



## PAYMENTS REVENUE SOURCES (Rm)



which bodes well for further growth in terminal sales.

Rental income declined marginally, as legacy leased terminals that had reached the end of useful life were replaced with Bank-owned terminals. The Payments division earns maintenance and support fees by providing end-to-end terminal estate management services for all the major banks in South Africa, as well as a range of other financial institutions both in South Africa and elsewhere in Africa. In the current year, maintenance and support fees grew slower than terminal sales at 7.8%, as customers elected to monitor the operating costs of the new Android terminals before entering into long-term maintenance and support contracts.

Dashpay's specialised payment service offerings made good progress. In addition to its terminal sales revenue, transaction-related income, mainly related to Dashpay's specialised solutions, increased by 69% during the year. Of this, value-added services revenue was boosted by the official launch of "Shôping", the gift card solution developed for use in property company Attacq's shopping malls. After its very successful launch at the Mall of Africa, the "Shôping" programme is set to onboard new malls

in FY2023. Dashpay was also rebranded this year with a fresh and young look. Significant resources have been invested in the development of Dashpay Glass, a tap on phone SoftPOS App for Android devices using Halo Dot as its core software engine. Dashpay Glass supports re-branding for customers who want to rapidly deploy their own SoftPOS application and will target the SMME merchant market with its innovative and competitive offering. The service is in the soft-launch phase and will be formally released in H1 2023.

LayUp continued to make positive progress. The company increased the number of merchants signed up for its service offering and has seen a material increase in the number of payment plans initiated on the platform. LayUp is Africa's first fully digital Lay-By and recurring payments business and offers a PASA certified omnichannel digitised payment plan solution for retailers, opening new revenue streams for merchants whilst simultaneously providing improved access for consumers. The offering is also available on Dashpay-supplied physical terminals at points of sale. Capital Appreciation has invested R6.4 million in LayUp to date and provided R5 million of working capital loan funding during the year for Layup to further develop its systems and grow its business.

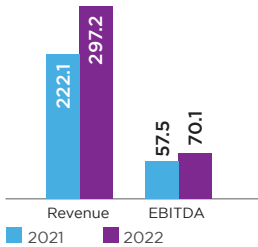
Expenses continued to be managed prudently and remained in line with growth in business activity. This is particularly evident in activity within Payment operations, where the average monthly activity of new and repaired POS terminals increased by 27%. The Group will continue to invest in anticipation of increased business activity in the pipeline. In response to the global shortage in micro-electronics and semiconductor components, African Resonance has also secured additional terminal spare parts to ensure the support of customer service levels without disruption.

# Commentary continued

## Software

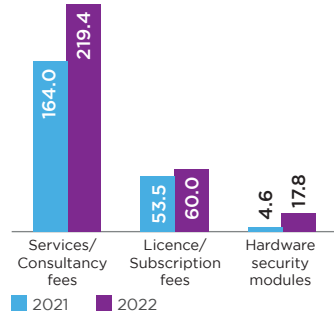
Synthesis also delivered excellent financial results for the year ending 31 March 2022, bolstered by a strong acceleration in demand and activity in the second half of the year. New business efforts have opened relationships with a large group of new customers and attracted more than R300 million of contracted sales, which were partially fulfilled in the current year. These revenues will continue to flow through into the 2023 and other financial years, with a number of new client contract wins, significant software sales and the commencement of several long-term projects.

### SOFTWARE (Rm)



Revenue increased by 33.8% to R297.2 million (2021: R222.1 million). Services and consultancy fees grew by 33.8% due to the increased demand for cloud and digital projects, and licence and subscription fees increased by 12.2%. Synthesis has for over a decade provided state-of-the-art cryptography, backed by Hardware Security Modules (HSM) to protect Payment Card PINs, contactless payments and enterprise encryption. HSM sales increased threefold during the year on the back of a significant project for a major bank by the Payment Technology and Cryptography unit.

### SOFTWARE REVENUE SOURCES (Rm)



EBITDA increased by 22.0% to R70.1 million (2021: R57.5 million). Profit margins for the core business have grown pleasingly, however, the overall profit margin decreased slightly from the prior year. This is due to increased sales of third-party software products, which attract a lower gross margin, as well as further investments in staff growth, the continued development costs in Halo Dot, regional expansion to the Netherlands, and other growth initiatives, all of which have been expensed in the reporting period.

Cloud services continued to grow, generating significant revenues and profits. The business recently achieved the impressive milestone of 200 Amazon Web Services (AWS) certifications, reflecting the company's deep technical expertise. Synthesis continues to aggressively grow this unit and service offering. Its efforts and reputation were further boosted this year when it received the AWS Consulting Partner of the Year 2021 award for sub-Saharan Africa, a major achievement. RegTech continued to generate solid growth and recently confirmed a multi-year contract to assist

a major South African life assurer with enterprise tax reporting. It remains a market leader in this segment, offering cost-effective, easy to use reporting tools which deliver full compliance.

Customer interest in the areas of Digital Services and Intelligent Data remained strong. The Digital unit's expertise is in high demand, with a range of successful projects and a good pipeline which positions it well for FY2023. The division was recently awarded a large logistics related contract in Singapore, advancing Synthesis' aim of diversifying its revenue base across geographies and currencies. Intelligent Data has experienced very high demand due to its highly sought after skills in AI and the Machine Learning environments and has attracted several new customers in financial services, telecoms, retail, healthcare services and contact centres. The division also grew its banking footprint with the development of a new business bank application.

Halo Dot remains a significant and exciting prospect and the Payment Technology and Cryptography unit continued to innovate and develop new features for the product. Certifications by Visa, Mastercard, and American Express for PIN entry enable acceptance of high-value transactions and make Halo Dot a complete software alternative to physical POS devices. The Halo Dot product has generated strong interest from local and international markets and has attracted five new customers in addition to Nedbank, including Rapid Financial Services and Ukeshe, with the recently launched Telkom Pay. Others are under contract with anticipated service launches in the months ahead.

The acquisition of the Responsive Group became effective on 1 March 2022 and has already been integrated into the Software division. Responsive is a digital solutions Group that designs and develops digital applications for clients in South Africa, the USA, Europe and the United Kingdom. Responsive successfully launched a number of client apps during the year, including one for a global money transfer business and another for an international credit bureau. Responsive produced solid results in their financial year to February 2022 and were cash generative, consistent with the characteristics of the other Capital Appreciation businesses. Only one month (March 2022) has been consolidated in Capital Appreciation's results. There are multiple levels of collaboration already underway with Synthesis and the businesses foresee exciting joint opportunities for combined and complementary service offerings. The asset-light businesses were acquired for a combination of cash and shares totalling R48.7 million. The valuation was based on future growth in earnings and cash flow potential, not net asset values, which is consistent with the valuation methodology in technology company acquisitions. This resulted in the recognition of goodwill in the amount of R41.2 million. (A more detailed description of the transaction can be found in the Group's SENS announcement dated 2 March 2022 at <https://capitalappreciation.co.za/content/1646220293-acquisitionstatement01.pdf>)

### **International division**

Capital Appreciation launched its new subsidiary company Synthesis Labs B.V. during the year, driven by Synthesis South Africa and based in the European FinTech

## Commentary continued

hub of Amsterdam. The new venture is aimed at capitalising on international opportunities matched to the Group's skillset, services, and product offerings. It marks the start of a focused effort to further diversify the Group's customer base by delivering service and providing solutions to international clients.

As part of the Responsive transaction, Capital Appreciation subscribed for 20% of Netherlands-based Regal Digital B.V. for €6 178 (R105 551). Capital Appreciation also provided Regal Digital with a non-interest-bearing working capital loan of €493 822 (R8 436 949). Simultaneously, another European-based Fintech investor also subscribed for 20% of Regal Digital on the same terms as Capital Appreciation and also provided the same interest-free working capital loan. The net consequence of these transactions is that Regal Digital now has €1 million in additional working capital to further grow the business in Europe and globally.

Regal Digital B.V. includes two operating companies, Firelava and Flamelink. Firelava is a consulting services business focusing on Web 3.0 technologies, non-fungible token (NFT) and Blockchain solutions, Google Firebase, and cloud specialist services as well as solution architecture. Its clients are primarily European. Flamelink is a "software-as-a-Service" (SaaS) solution offering a headless Content Management System (CMS) for Google's Firebase. Its clients are global. Regal Digital is profitable and the investment by Capital Appreciation and our co-investor provides a significant capital injection to further grow its Web 3 and SaaS offerings. Regal Digital will work closely with Synthesis Labs BV to target EU-based customers and seek out collaboration opportunities.

## ENTERPRISE DEVELOPMENT

Capital Appreciation has provided further loan funding of R28.8 million to its associate Govchat during the year, confirming the Group's belief in the potential of the company and the value of the services it offers. Govchat provides an innovative and valuable technology offering to the public sector, utilising contemporary, cloud-first, hyper-scale, serverless architecture developed by Synthesis. Govchat has, amongst other projects, assisted the Government to register 13.3 million COVID-19-related social relief of distress grant applications through its platform to date. Govchat also concluded a multi-agency agreement to assist and support United Nations Agencies in their outreach programmes and monitoring activities.

After a year-long investigation, the Competition Commission has referred Meta Platforms/Facebook/WhatsApp to the Competition Tribunal for abuse of dominance. This action is the result of GovChat's challenge of Facebook/WhatsApp's attempts to terminate GovChat's use of their service. This is an important milestone for GovChat and goes a long way to ensure that the GovChat service offering, will remain available for use by both the Government and the citizens of South Africa.

## PROSPECTS

The accelerated adoption of electronic payments and demand for cloud services and related advances evident in this set of financial results are indicative of the strength of a longer-term global digitalisation trend. Capital Appreciation has the appropriate skills, experience, and track record to deliver products and support its clients' journeys to become more digitally enabled and benefit from these technological advancements. This will continue to support the positive growth prospects for the Group.

The demand for POS terminals is expected to continue as financial institutions and corporate customers replace their ageing terminal estates to take advantage of improvements in technology, more functionally rich solutions, and additional demand from new merchant segments. The Payments division has a strong pipeline, as well as substantial orders already contracted for 2023. Supply chain issues continue to impact the sector with increased lead times and availability challenges. The Group continues to monitor this carefully and coordinate with both suppliers and customers. The impact on the timing of existing and future orders is uncertain and may result in delays in future periods. New business relationships established with additional banks and others also point to business opportunities for further terminal orders. The future commercialisation of Halo Dot and Dashpay Glass will be a key focus area going forward.

Synthesis anticipates trading conditions to remain positive in the new financial year. Synthesis is experiencing excellent demand from local and international customers and has many excellent

prospects lined up. The Responsive acquisition further enhances the division's digital offering and provides complementary services to Synthesis' growing customer base.

With a well-capitalised balance sheet, robust operating cash flows, and significant cash resources, the Group has the ability and appetite to take advantage of meaningful organic growth opportunities available to each of its business units as well as to consider strategically complementary investment and acquisition opportunities.

## DIVIDENDS

The Board has the pleasure of announcing that a final dividend of 3.75 cents per ordinary share has been declared for the year ended 31 March 2022 (2021: 3.00 cents per ordinary share), bringing the total dividend for the year to 7.50 cents per ordinary share (2021: 5.50 cents per ordinary share), an increase of 36.4%.

We note the following:

- Dividends are subject to dividends withholding tax.
- The payment date for the dividend is Monday, 27 June 2022.
- Dividends have been declared out of profits available for distribution.
- Local dividends withholding tax is 20%.
- The gross dividend amount is 3.75 cents per ordinary share, which is 3.00 cents per ordinary share net of withholding tax.
- Capital Appreciation has 1 310 000 000 ordinary shares in issue at the declaration date.
- Capital Appreciation's Income Tax Reference Number is 9591281176.

## Commentary continued

The salient dates relating to the dividend are as follows:

Last day of trade cum dividend	Tuesday, 21 June 2022
Shares commence trading ex-dividend	Wednesday, 22 June 2022
Dividend record date	Friday, 24 June 2022
Dividend payment date	Monday, 27 June 2022

Share certificates for ordinary shares may not be dematerialised or rematerialised between Wednesday, 22 June 2022 and Friday, 24 June 2022, 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 2021 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 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 1 June 2022. 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 concerning the economy and the results of the operations of Capital Appreciation, which by their nature, involve risk and uncertainty on economic circumstances that may or may not occur in the future.

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 Capital Appreciation's 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  
2 June 2022

# Summarised Consolidated Financial Results

FOR THE YEAR ENDED 31 MARCH 2022

## Index

	PAGE
Group statement of financial position	15
Group statement of comprehensive income	16
Group statement of cash flows	17
Group statement of changes in equity	18
Group segment analysis	20
Notes to the group financial statements	21



# Group statement of financial position

AT 31 MARCH 2022

Figures in R'000	Notes	2022	2021
<b>ASSETS</b>			
Property, plant and equipment	3	24 065	25 635
Intangible assets	4	55 155	61 226
Right-of-use assets	5	8 115	16 210
Goodwill	6	769 749	728 578
Investment in associates	7	4 842	5 857
Loans to associates	8	54 624	19 645
Deferred tax	9	3 680	18 563
<b>Non-current assets</b>		<b>920 230</b>	<b>875 714</b>
Inventories	10	12 180	17 017
Trade and other receivables	11	129 248	47 461
Taxation receivable		4 774	2 039
Cash and cash equivalents	12	533 424	538 316
<b>Current assets</b>		<b>679 626</b>	<b>604 833</b>
<b>Total assets</b>		<b>1 599 856</b>	<b>1 480 547</b>
<b>EQUITY AND LIABILITIES</b>			
Capital and reserves		1 482 531	1 375 894
Share capital	13	1 008 639	1 003 261
Share-based payment reserve	14	20 455	9 926
Contingent consideration reserve	15	9 582	-
Foreign currency translation reserve		42	-
Retained income		443 813	362 707
Non-controlling		1 096	-
<b>Total equity</b>		<b>1 483 627</b>	<b>1 375 894</b>
Deferred revenue	16	5 902	5 454
Lease liability	17	1 503	11 104
Deferred tax	9	7 672	8 787
Contingent consideration	15	6 370	-
<b>Non-current liabilities</b>		<b>21 447</b>	<b>25 345</b>
Deferred revenue	16	10 513	10 838
Lease liability	17	9 135	8 451
Trade and other payables	18	74 233	59 942
Taxation payable		901	77
<b>Current liabilities</b>		<b>94 782</b>	<b>79 308</b>
<b>Total equity and liabilities</b>		<b>1 599 856</b>	<b>1 480 547</b>
Net asset value per ordinary share (cents)		120.6	111.9

# Group statement of comprehensive income

FOR THE YEAR ENDED 31 MARCH 2022

Figures in R'000	Notes	2022	2021
<b>Revenue</b>	8	<b>830 978</b>	619 513
Cost of sales		<b>(402 079)</b>	(307 827)
<b>Gross profit</b>		<b>428 899</b>	311 686
Other income		<b>749</b>	197
Operating expenses		<b>(156 420)</b>	(125 030)
<b>Trading profit</b>		<b>273 228</b>	186 853
Share-based payment expense		<b>(12 015)</b>	(7 037)
Depreciation: property, plant and equipment		<b>(10 072)</b>	(8 898)
Depreciation: right-of-use assets		<b>(8 095)</b>	(8 223)
Amortisation of intangible assets		<b>(22 783)</b>	(18 300)
Transformation costs		<b>(6 279)</b>	(6 567)
Acquisition costs		<b>(2 168)</b>	-
<b>Operating profit</b>		<b>211 816</b>	137 828
Finance income		<b>23 227</b>	20 981
Finance costs		<b>(34)</b>	(67)
Finance costs: lease liabilities		<b>(1 124)</b>	(1 753)
Equity accounted loss in associate		<b>(1 185)</b>	(350)
Profit before taxation		<b>232 700</b>	156 639
Taxation	9	<b>(69 409)</b>	(30 939)
Profit after taxation		<b>163 291</b>	125 700
<b>Attributable to:</b>			
Shareholders of the Company		<b>163 230</b>	125 700
Non-controlling interest		<b>61</b>	-
		<b>163 291</b>	<b>125 700</b>
Other comprehensive income		<b>42</b>	-
<b>Total comprehensive income for the year</b>		<b>163 333</b>	125 700
<b>Attributable to:</b>			
Shareholders of the Company		<b>163 272</b>	125 700
Non-controlling interest		<b>61</b>	-
<b>Total comprehensive income for the year</b>		<b>163 333</b>	125 700
<b>Basic earnings per share (cents)</b>	10	<b>13.37</b>	10.28
<b>Diluted earnings per share (cents)</b>	10	<b>12.71</b>	10.16

# Group statement of cash flows

FOR THE YEAR ENDED 31 MARCH 2022

Figures in R'000	Notes	2022	2021
<b>Cash generated from operations</b>		<b>204 291</b>	200 944
Finance income received		<b>22 042</b>	20 981
Finance costs paid		<b>(1 136)</b>	(1 820)
Dividends paid		<b>(82 124)</b>	(64 621)
Taxation paid		<b>(56 882)</b>	(53 427)
<b>Net cash inflow from operating activities</b>		<b>86 191</b>	102 057
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		<b>(9 144)</b>	(7 420)
Proceeds on disposal of property, plant and equipment and intangible assets		<b>822</b>	733
Acquisition of intangible assets		<b>(7 654)</b>	(7 292)
Capitalisation of intangible assets		<b>(9 755)</b>	(9 489)
Net cash paid on acquisition of subsidiaries in the Responsive Group	2	<b>(8 674)</b>	-
Acquisition of shares in associate	3	<b>(170)</b>	(6 207)
Loans to associates	4	<b>(33 794)</b>	(18 189)
Payment of contingent consideration		<b>-</b>	(10 000)
<b>Net cash outflow from investing activities</b>		<b>(68 369)</b>	(57 864)
<b>Cash flows from financing activities</b>			
Repayment of lease liability		<b>(8 917)</b>	(7 601)
Proceeds from sale of 1 380 000 treasury shares in settlement of vested share options		<b>2 611</b>	-
Purchase of 13 377 540 treasury shares (2021: 1 204 784)		<b>(16 396)</b>	(1 239)
<b>Net cash outflow from financing activities</b>		<b>(22 702)</b>	(8 840)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(4 880)</b>	35 353
Cash and cash equivalents at beginning of year		<b>538 316</b>	505 121
Net foreign exchange difference		<b>(12)</b>	(2 158)
<b>Cash and cash equivalents at end of year</b>	5	<b>533 424</b>	538 316

# Group statement of changes in equity

FOR THE YEAR ENDED 31 MARCH 2022

Figures in R'000	Ordinary share capital	Share-based payment reserve	Contingent consideration reserve
<b>Balance at 1 April 2020</b>	976 600	2 889	24 000
Profit for the year	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income	-	-	-
Share-based payment expense	-	7037	-
Settlement of contingent consideration reserve	27 900	-	(27 900)
Purchase of treasury shares	(1 239)	-	-
Cash dividends paid	-	-	-
<b>Balance at 31 March 2021</b>	<b>1 003 261</b>	<b>9 926</b>	<b>24 000</b>
Profit for the year	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income	-	-	-
Share-based payment expense	-	12 015	-
Settlement of vested share options	-	(1 486)	-
Allotment of 11 077 080 shares out of treasury shares for the acquisition of the Responsive group	19 163	-	-
Purchase of treasury shares (13 377 540 shares)	(16 396)	-	-
Exercised/vested share options out of treasury shares (1 380 000 shares)	2 611	-	-
Contingent consideration reserve	-	-	-
Cash dividends paid	-	-	-
Non-controlling interest arising on business combination	-	-	-
<b>Balance at 31 March 2022</b>	<b>1 008 639</b>	<b>20 455</b>	<b>24 000</b>

Contingent provision reserve	Foreign currency translation reserve	Retained income	Total equity attributable to shareholders of the company	Non- controlling interest	Total equity
4 900		304 628	1 309 017	-	1 309 017
-	-	125 700	125 700	-	125 700
-	-	-	-	-	-
-	-	125 700	125 700	-	125 700
-	-	-	7 037	-	7 037
4 900)	-	(3 000)	-	-	-
-	-	-	(1 239)	-	(1 239)
-	-	(64 621)	(64 621)	-	(64 621)
-	-	<b>362 707</b>	<b>1 375 894</b>	-	<b>1 375 894</b>
-	-	<b>163 230</b>	<b>163 230</b>	<b>61</b>	<b>163 291</b>
-	<b>42</b>	-	<b>42</b>	-	<b>42</b>
-	<b>42</b>	<b>163 230</b>	<b>163 272</b>	<b>61</b>	<b>163 333</b>
-	-	-	<b>12 015</b>	-	<b>12 015</b>
-	-	-	<b>(1 486)</b>	-	<b>(1 486)</b>
-	-	-	<b>19 163</b>	-	<b>19 163</b>
-	-	-	<b>(16 396)</b>	-	<b>(16 396)</b>
-	-	-	<b>2 611</b>	-	<b>2 611</b>
<b>9 582</b>	-	-	<b>9 582</b>	-	<b>9 582</b>
-	-	<b>(82 124)</b>	<b>(82 124)</b>	-	<b>(82 124)</b>
-	-	-	-	<b>1 035</b>	<b>1 035</b>
<b>9 582</b>	<b>42</b>	<b>443 813</b>	<b>1 482 531</b>	<b>1 096</b>	<b>1 483 627</b>

# Group segment analysis

FOR THE YEAR ENDED 31 MARCH 2022

Figures in R'000

	Payments Division		Software Division	
	2022	2021	2022	2021
Revenue received from all customers*	533 772	397 422	297 206	222 091
Revenue received from all customers	533 772	397 422	299 648	225 149
Less: Revenue received from inter segmental customers	-	-	(2 442)	(3 058)
Trading profit/(loss)	225 303	146 481	75 228	61 630
Share-based payment expense	(1 485)	(882)	(4 440)	(2 977)
Depreciation: property, plant and equipment	(6 805)	(6 038)	(2 626)	(2 212)
Depreciation: right-of-use assets	(5 270)	(5 398)	(1 731)	(1 731)
Amortisation of intangible assets	(5 144)	(2 333)	(4 371)	(2 699)
Acquisition costs	-	-	-	-
Operating profit/(loss)	201 019	126 659	61 360	50 813
Total assets	386 007	324 010	171 839	114 111
Total liabilities	31 487	53 968	65 188	34 370
<b>Net assets</b>	<b>354 520</b>	<b>270 042</b>	<b>106 651</b>	<b>79 741</b>
<b>Geographical information</b>				
<b>Revenue</b>	<b>533 772</b>	<b>397 422</b>	<b>297 206</b>	<b>222 091</b>
South Africa	529 565	383 437	246 911	194 954
Rest of Africa and Indian Ocean Islands	4 207	13 985	14 920	16 670
Asia Pacific and United Kingdom	-	-	19 214	2 008
United States of America	-	-	11 229	8 459
United Kingdom	-	-	4 932	-
<b>Total assets</b>	<b>386 007</b>	<b>324 010</b>	<b>171 839</b>	<b>114 111</b>
South Africa	386 007	324 010	171 839	114 111
Europe	-	-	-	-
<b>Total liabilities</b>	<b>31 487</b>	<b>53 968</b>	<b>65 188</b>	<b>34 370</b>
South Africa	31 487	53 968	65 188	34 370
Europe	-	-	-	-

\* Refer to note 8 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 three reportable segments, as follows:

- The Payments division generates revenue from the sale of terminals, the rental of terminals, maintenance and service fees from terminals and transaction-related revenue from terminals. The Payments division is an aggregation of African Resonance and Dashpay as they both generate revenue from similar types of transactions.
- The Software division, which generates revenue from services and consultancy fees, licence and subscription fees and sale of Hardware Security Modules (HSM).

International		Corporate		Group	
2022	2021	2022	2021	2022	2021
-	-	-	-	<b>830 978</b>	619 513
-	-	-	-	<b>833 420</b>	622 571
-	-	-	-	<b>(2 442)</b>	(3 058)
<b>(3 592)</b>	-	<b>(23 711)</b>	(21 258)	<b>273 228</b>	186 853
-	-	<b>(6 090)</b>	(3 178)	<b>(12 015)</b>	(7 037)
<b>(2)</b>	-	<b>(639)</b>	(648)	<b>(10 072)</b>	(8 898)
-	-	<b>(1 094)</b>	(1 094)	<b>(8 095)</b>	(8 223)
-	-	<b>(13 268)</b>	(13 268)	<b>(22 783)</b>	(18 300)
-	-	<b>(2 168)</b>	-	<b>(2 168)</b>	-
<b>(3 594)</b>	-	<b>(46 969)</b>	(39 644)	<b>211 816</b>	137 828
<b>503</b>	-	<b>1 041 507</b>	1 042 426	<b>1 599 856</b>	1 480 547
<b>111</b>	-	<b>19 443</b>	16 315	<b>116 229</b>	104 653
<b>392</b>	-	<b>1 022 064</b>	1 026 111	<b>1 483 627</b>	1 375 894
-	-	-	-	<b>830 978</b>	619 513
-	-	-	-	<b>776 476</b>	578 391
-	-	-	-	<b>19 127</b>	30 655
-	-	-	-	<b>19 214</b>	2 008
-	-	-	-	<b>11 229</b>	8 459
-	-	-	-	<b>4 932</b>	-
<b>503</b>	-	<b>1 041 507</b>	1 042 426	<b>1 599 856</b>	1 480 547
<b>-</b>	-	<b>1 041 507</b>	1 042 426	<b>1 599 353</b>	1 480 547
<b>503</b>	-	<b>-</b>	-	<b>503</b>	-
<b>111</b>	-	<b>19 443</b>	16 315	<b>116 229</b>	104 653
<b>-</b>	-	<b>19 443</b>	16 315	<b>116 118</b>	104 653
<b>111</b>	-	<b>-</b>	-	<b>111</b>	-

The Responsive Group of companies was acquired on 1 March 2022 and the results for 1 month (March 2022) have been incorporated into the Software division.

- In June 2021, the Group established an offshore company in the Netherlands, called Synthesis Labs B.V., which is a wholly owned subsidiary of Synthesis Europe B.V.. The foreign operations are reported as a new business unit for segmental reporting purposes.

No reliance is placed on one major customer.

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

# Notes to the group financial statements

FOR THE YEAR ENDED 31 MARCH 2022

## 1. INTANGIBLE ASSETS

Figures in R'000	2022		
	Cost	Accumulated amortisation	Carrying value
Computer software	55 096	(18 055)	37 041
Customer web portal	86	(86)	-
Intangible asset recognised on acquisition of businesses	83 348	(65 234)	18 114
Customer relationships	67 818	(49 704)	18 114
Computer software	15 530	(15 530)	-
<b>Total</b>	<b>138 530</b>	<b>(83 375)</b>	<b>55 155</b>

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
<b>Total</b>	<b>122 586</b>	<b>(61 360)</b>	<b>61 226</b>



## 2. GOODWILL

Figures in R'000	2022	2021
Carrying value at the beginning of the year	728 578	728 578
Acquisition through business combination	41 171	-
Responsive Build	24 974	-
Rethink Digital Solutions	16 197	-
Carrying value at the end of the year	769 749	728 578
Reconciliation		
Payments division	603 604	603 604
Software division	166 145	124 974
	769 749	728 578

The Group performed an annual test for impairment of the cash-generating units, which were acquired in May 2017, to which goodwill of R728,6 million is attributed. The recoverable amount of the businesses (cash-generating units) has been determined based on a value-in-use calculation. The calculations use cash flow projections based on financial budgets approved by management and a discount rate, calculated using a risk free rate adjusted for risk factors, of 18.5% (2021: 19.5%) for the Payments division and 19.7% (2021: 19.9%) for the Software business. Comparable pre-tax discount rates for purpose of impairment testing would be 23.8% and 25.3% for the Payments and Software cash-generating units respectively. Cash flows and trading forecasts have been projected for a period of five years.

The Payments division has forecasted compounded revenue growth of 14.0% over the next five-year period. Trading and operating margins have been assumed to remain consistent with the 2022 financial year results.

The Software division has forecasted compounded revenue growth of 18.5% over the next five-year period. Trading and operating margins have been assumed to remain consistent with the 2022 financial year results.

Management believes that no reasonable possible change in any of the above key assumptions would cause the carrying value of any cash-generating unit to exceed its recoverable amount.

### Acquisitions of businesses

On 5 May 2017, the Group acquired 100% of the shares in African Resonance Business Solutions Proprietary Limited (African Resonance), Rinwell Investments Proprietary Limited, which is 100% shareholder of Dashpay Proprietary Limited (Rinwell Group), and Synthesis Software Technologies Proprietary Limited (Synthesis).

# Notes to the group financial statements continued

FOR THE YEAR ENDED 31 MARCH 2022

## 2. GOODWILL continued

### 2.1 Acquisition of businesses during the year

On 1 March 2022, the Group acquired:

100 % of the issued share capital of Responsive Tech Proprietary Limited and 100% of the issued share capital of Responsive Digital Proprietary Limited (collectively called "Responsive Build") and

71% of the issued share capital of Rethink Digital Solutions Proprietary Limited (Rethink Digital Solutions)

The group has elected to measure the non-controlling interest in the acquiree at the proportionate share of the acquiree's net identifiable assets.

#### Acquisition of 100% Responsive Build

##### Assets acquired and liabilities assumed:

The preliminary fair values of the identifiable assets and liabilities of Responsive Build as at the date of acquisition were:

Figures in R'000	Fair value recognised on acquisition
<b>Assets</b>	
Property, plant and equipment	101
Deferred tax asset	529
Trade and other receivables	12 263
Taxation receivable	379
Cash and cash equivalents	3 124
	<b>16 396</b>
<b>Liabilities</b>	
Trade and other payables	(9 623)
Deferred revenue	(2 092)
	<b>(11 715)</b>
Total identifiable net assets at fair value	<b>4 681</b>
Preliminary goodwill arising on acquisition	<b>24 974</b>
<b>Purchase consideration transferred</b>	<b>29 655</b>

The Responsive Build warranty consideration of R 9 762 953 was included as part of the purchase consideration at the date of acquisition.

The previous shareholders will receive R4 073 425 cash and an allotment of 3 394 520 shares out of treasury shares. The remaining period of the warranty is 12 months of the total 25 months. For the purposes of the annual financial statements, it has been assumed that the profit warranty targets will be met, and the 3 394 520 shares are valued at the price of 173 cents per share, being the share price on the closing date and cash portion is present valued.

Cash: R4 073 425 at present value	3 890
Shares: 3 394 520 at 173 cents per share	5 873
<b>Total</b>	<b>9 763</b>

From the date of acquisition 1 March 2022, Responsive Build contributed R3 032 902 of revenue and R900 348 of profit before tax to the Group. If the acquisition had taken place at the beginning of the financial year revenue would have been R28 515 796 and R3 053 539 of profit before tax to the Group.

### Acquisition of 71% Rethink Digital Solutions

#### Assets acquired and liabilities assumed:

The preliminary fair values of the identifiable assets and liabilities of Rethink Digital Solutions as at the date of acquisition were:

	<b>Fair value recognised on acquisition</b>
Figures in R'000	
<b>Assets</b>	
Property, plant and equipment	<b>33</b>
Deferred tax asset	<b>74</b>
Trade and other receivables	<b>3 132</b>
Cash and cash equivalents	<b>1 494</b>
	<b>4 733</b>
<b>Liabilities</b>	
Trade and other payables	<b>(1 142)</b>
Taxation payable	<b>(23)</b>
	<b>(1 165)</b>
Total identifiable net assets at fair value	<b>3 568</b>
Non-controlling interest measured at proportionate rate	<b>(1 035)</b>
Preliminary goodwill arising on acquisition	<b>16 197</b>
<b>Purchase consideration transferred</b>	<b>18 730</b>

# Notes to the group financial statements continued

## FOR THE YEAR ENDED 31 MARCH 2022

### 2. GOODWILL continued

#### 2.1 Acquisition of businesses during the year continued

The Rethink Digital Solutions profit warranty consideration of R6 166 392 was included as part of the purchase consideration at the date of acquisition.

The previous shareholders will receive R2 572 824 cash and an allotment of 2 144 019 shares out of treasury shares. The remaining period of the warranty is 12 months of the total 25 months. For the purposes of the annual financial statements, it has been assumed that the profit warranty targets will be met, and the 2 144 019 million shares are valued at the price of 173 cents per share, being the share price on the closing date and cash portion is present valued.

Cash: R2 572 824 at present value	2 457
Shares: 2 144 019 at 173 cents per share	3 709
Total	6 166

From the date of acquisition 1 March 2022, Rethink Digital Solutions contributed R1 700 607 of revenue and R289 855 of profit before tax to the Group. If the acquisition had taken place at the beginning of the financial year revenue would have been R12 301 547 and R3 966 648 of profit before tax to the Group.

#### **Cashflow on acquisition**

Figures in R'000

Acquisition costs (included in cash flows from operating activities)	<b>(2 168)</b>
Net cash acquired with the subsidiary (included in cash flows from investing activities)	<b>4 618</b>
Cash paid (included in cash flows from investing activities)	<b>(13 292)</b>
Net cash flow on acquisition	<b>(10 842)</b>

The net assets recognised are based on a provisional assessment of their fair values. In terms of IFRS 3 - Business Combinations, management will perform a final purchase price allocation ("PPA") on the businesses acquired during the year, to determine the fair value of the assets and liabilities acquired. The final ("PPA") exercise will be completed during the 2023 financial year.

### 3. INVESTMENTS IN ASSOCIATES

#### Unlisted investments

#### 3.1 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	2022	2021
54 shares at cost	*	*
Carrying and fair value	*	*
<b>Summarised financial information of associate</b>		
<b>Income statement</b>		
Revenue	-	2 000
Loss before and after taxation	(16 664)	(8 596)
<b>Statement of financial position</b>		
Assets		
Non-current assets		
Property, plant and equipment	1 009	1 381
Intangible assets	34 462	21 220
Current assets		
Sundry receivables	1 981	2 628
Cash and cash equivalents	439	185
<b>Total assets</b>	<b>37 891</b>	<b>25 414</b>
Equity and liabilities		
Accumulated loss	(37 244)	(21 230)
Subordinated loans	72 057	37 897
Current liabilities		
Trade and other payables	3 078	8 747
<b>Total equity and liabilities</b>	<b>37 891</b>	<b>25 414</b>

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

# Notes to the group financial statements continued

FOR THE YEAR ENDED 31 MARCH 2022

## 3. INVESTMENTS IN ASSOCIATES continued

### 3.2 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	2022	2021
18 Shares at cost	*	*
Carrying and fair value	*	*
<b>Summarised financial information of associate</b>		
<b>Income statement</b>		
Revenue	1 828	1 466
Loss before and after taxation	(140)	(1 040)
<b>Statement of financial position</b>		
<b>Assets</b>		
<b>Non-current assets</b>		
Intangible assets	3 627	4 623
<b>Current assets</b>		
Sundry receivables	317	713
Cash and cash equivalents	160	1 087
<b>Total assets</b>	<b>4 104</b>	<b>6 423</b>
<b>Equity and liabilities</b>		
Accumulated loss	(4 898)	(4 757)
Holding company loan	9 001	6 322
<b>Current liabilities</b>		
Trade and other payables	1	4 858
<b>Total equity and liabilities</b>	<b>4 104</b>	<b>6 423</b>

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

### 3. INVESTMENTS IN ASSOCIATES continued

#### 3.3 LayUp Technologies Proprietary Limited

The Group acquired a 26.52% interest in LayUp Technologies Proprietary Limited (LayUp) on 4 January 2021. On 22nd February 2022 the Group acquired a further 3 815 shares representing 0.86% in LayUp for a cash consideration of R170 505. The Group holds 27.38% (2021: 26.52%) in LayUp. 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.

Figures in R'000	2022	2021
122 517 (2021: 118 702) shares at cost	6 378	6 207
Carrying and fair value at beginning of year	5 857	-
Shares purchased	170	6 207
Share of equity accounted loss in associate	(1 185)	(350)
Carrying and fair value	4 842	5 857
<b>Summarised financial information of associate</b>		
<b>Income statement</b>		
Revenue	30	17
Loss before and after taxation	(4 329)	(1 367)
<b>Statement of financial position</b>		
Assets		
Non-current assets		
Property, plant and equipment	78	48
Intangible assets	3 237	1 709
Deferred tax	2 019	-
Current assets		
Sundry receivables	103	120
Cash and cash equivalents	2 779	3 364
<b>Total assets</b>	<b>8 216</b>	<b>5 241</b>
Equity and liabilities		
Capital and reserves	1 874	4 187
Non-current liabilities		
Convertible loan - Capital Appreciation Limited	5 096	-
Current liabilities		
Trade and other payables	1 246	1 054
<b>Total equity and liabilities</b>	<b>8 216</b>	<b>5 241</b>

# Notes to the group financial statements continued

FOR THE YEAR ENDED 31 MARCH 2022

## 4. LOANS TO ASSOCIATES

Figures in R'000	2022	2021
<b>4.1 Govchat Proprietary Limited</b>		
Opening balance	19 645	1 456
Loan granted during the year	28 794	18 189
Accretion of interest	1 089	-
Closing balance	49 528	19 645

In May 2019 an interest-free enterprise development loan was granted to Govchat Proprietary Limited and was repayable on demand. This loan was converted during the prior financial year to a long-term loan.

In April 2021, an additional enterprise development loan was granted, bearing interest at prime less 3%.

There are no estimated credit losses.

Govchat has pledged as a security for the loan from Capital Appreciation Limited, 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.

## 4.2 LayUp Technologies Proprietary Limited

Figures in R'000	2022	2021
Convertible loan granted during the year	5 000	-
Accretion of interest	96	-
Closing balance	5 096	-

On 20 October 2021, a convertible loan was granted to LayUp Technologies Proprietary Limited. The loan bears interest at prime and is repayable on 20 November 2023.

Figures in R'000	2022	2021
Govchat Proprietary Limited	49 528	19 645
LayUp Technologies Proprietary Limited	5 096	-
	54 624	19 645



## 5. CASH AND CASH EQUIVALENTS

Figures in R'000

	2022	2021
Cash and cash equivalents consist of:		
Bank balances	78 456	109 107
Bank call and notice deposits	454 968	429 209
	<b>533 424</b>	538 316

Cash and cash equivalents comprise call and notice deposits with banks maturing within three months. These attract interest at market-related rates. Cash and cash equivalents are measured at amortised cost. The maximum exposure to credit risk at the reporting date is the carrying amount. The Group only has deposits with major banks with high-quality ratings assigned by internationally recognised credit rating agencies. For this reason, the credit quality at year-end of cash and cash equivalents is considered to be high.

# Notes to the group financial statements continued

FOR THE YEAR ENDED 31 MARCH 2022

## 6. SHARE CAPITAL

Figures in R'000	2022	2021
Ordinary shares of no par value	1 008 639	1 003 261
	Number of shares	Number of shares
<b>Authorised shares</b>		
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
<b>Issued shares</b>		
Ordinary shares of no par value in issue at beginning of the year	1 310 000 000	1 310 000 000
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)	(80 911 595)	(79 991 135)
Ordinary shares of no par value, net of treasury shares at the end of the year	1 229 088 405	1 230 008 865
<b>Reconciliation of movement of issued ordinary shares</b>		
Ordinary shares, net of treasury shares at the beginning of the year	1 230 008 865	1 201 213 649
Ordinary shares of no par value repurchased during the year (treasury shares)	(13 377 540)	(1 204 784)
Ordinary shares of no par value sold during the year from treasury shares to settle vested share options	1 380 000	-
Ordinary shares of no par value allotted during the year from treasury shares for settlement of acquisitions	11 077 080	-
Ordinary shares of no par value allotted during the year from treasury shares for settlement of the Synthesis profit warranty on 7 July 2020	-	30 000 000
Number of issued ordinary shares, net of treasury shares at end of the year	1 229 088 405	1 230 008 865

## 7. CONTINGENT CONSIDERATION

Figures in R'000	2022	2021
Cash (present valued)	6 370	-
Responsive Build	3 904	-
Rethink Digital Solutions	2 466	-
Shares	9 582	-
Responsive Build	5 873	-
Rethink Digital Solutions	3 709	-
<b>Total</b>	<b>15 952</b>	-

The Responsive Build and Rethink Digital Solutions profit warranties consideration has been included as part of the purchase consideration. In aggregate, should Responsive Build and Rethink Digital Solutions achieve their profit warranties, the previous shareholders will receive R6 646 249 in cash and an allotment out of treasury shares of 5 538 539 ordinary shares. The period of the warranties is 25 months from 1 March 2021 to 31 March 2023. It has been assumed that the profit warranties targets will be met and the ordinary shares are valued at the price of 173 cents per ordinary share, being the share price on the closing date and the cash portion is present valued.

# Notes to the group financial statements continued

FOR THE YEAR ENDED 31 MARCH 2022

## 8. REVENUE

Figures in R'000	2022	2021
Payment division		
Terminal rental income	21 581	22 623
Maintenance and support service fees from terminals	148 661	137 925
Sale of terminals	317 270	209 496
Transaction related income from terminals	46 260	27 378
	<b>533 772</b>	397 422
Software division		
Services and consultancy fees	219 419	163 976
Licence and subscription fees	60 021	53 507
Hardware Security Modules (HSM)	17 766	4 608
	<b>297 206</b>	222 091
<b>Total revenue</b>	<b>830 978</b>	619 513

### Disaggregation of revenue from contracts with customers

The Group disaggregates revenue from customers as follows:

Figures in R'000	2022	2021
Sale of goods		
Sale of terminals	317 270	209 496
Sale of Hardware Security Modules (HSM)	17 766	4 608
	<b>335 036</b>	214 104
Rendering of services		
Services and consultancy fees	219 419	163 976
Licence and subscription fees	60 021	53 507
Terminal rental income	21 581	22 623
Maintenance and support service fees from terminals	148 661	137 925
Transaction related income from terminals	46 260	27 378
	<b>495 942</b>	405 409
<b>Total revenue</b>	<b>830 978</b>	619 513

## 9. TAXATION

Figures in R'000	2022	2021
Major components of the tax expense		
<b>Current</b>		
Local income tax current year	55 645	46 679
Local income tax prior year	(4)	(886)
<b>Deferred</b>		
Originating and reversing temporary differences	(462)	(3 752)
Originating and reversing temporary differences on assessed tax loss*	13 660	(11 102)
Originating and reversing temporary differences prior year	570	-
South African normal tax	69 409	30 939

\* Included is an amount of R11 332 797 in 2021 which is the recognition of a deferred tax asset in Dashpay Proprietary Limited on the pre acquisition assessed tax loss of R40 474 276.

	%	%
Reconciliation of rate of taxation		
South African normal tax	28.0	28.0
Adjusted for:		
- Permanent differences**	0.9	(0.3)
- Prior year over provision	0.2	(0.6)
- Change in tax rate	(0.1)	-
- Timing differences on assessed tax loss	0.5	(7.2)
- Foreign withholding tax	0.3	(0.1)
Effective tax rate	29.8	19.8

\*\* Includes non-deductible expenses relating to share-based payments, acquisition costs as well as Section 12H allowances and Section 11(d) allowances

# Notes to the group financial statements continued

FOR THE YEAR ENDED 31 MARCH 2022

## 10. 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	2022	2021
Profit for the year attributable to ordinary shareholders	163 230	125 700
Loss on disposal of property, plant and equipment and intangible assets	651	991
Tax on loss on disposal of property, plant and equipment and intangible assets	(182)	(277)
Impairment on investment in associate	-	*
Headline earnings	163 699	126 414

\* In aggregate amounts to less than R1 000.

	Number of shares	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)	1 221 266	1 222 965
Diluted weighted average number of ordinary shares in issue ('000)	1 283 791	1 237 594

	Cents per share	Cents per share
Earnings per share		
Basic earnings per share	13.37	10.28
Headline earnings per share	13.40	10.34
Diluted earnings per share	12.71	10.16
Diluted headline earnings per share	12.75	10.21

## 11. 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 value. The maturity profile of those financial instruments fall due within 12 months.

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

Loans to associates, trade and other receivables and trade and other payables carried on the statements 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.

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 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.

Figures in R'000	2022	Level 1	Level 2	Level 3
Financial instrument				
Foreign exchange forward contracts	(1 794)	-	(1 794)	-
	2021	Level 1	Level 2	Level 3
Financial instrument				
Foreign exchange forward contracts	(1 158)	-	(1 158)	-

# Notes to the group financial statements continued

FOR THE YEAR ENDED 31 MARCH 2022

## 12. DIVIDENDS

A final dividend for the year ended 31 March 2021 of 3.00 cents per ordinary share was declared on 22 June 2021 amounting to R39.3 million. An interim dividend of 3.75 cents per ordinary share was declared on 30 November 2021 amounting to R49.1 million. The total dividends paid during the year amounted to R88.4 million (2021: R68.8 million).

## 13. GOING CONCERN

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

## 14. 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 2022, to the date of this report.

The Group subscribed on 13 May 2022 for 392 shares, being 20% of the issued share capital of Regal Digital B.V., which is a technology company in the Netherlands, for a cash consideration of EUR6 178 (R105 551).

The group granted Regal Digital B.V. a long term loan of EUR493 822 (R8 436 949), which is non-interest bearing and has no fixed terms of repayment.

### 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

## Capital Appreciation Limited

Incorporated in the Republic of South Africa

**Registration number:** 2014/253277/06

**Tax number:** 9591281176

**JSE share code:** CTA

**A2X share code:** CTAJ

**ISIN:** ZAE000209245

**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 Bulo#, KD Dlamini#, JM Kahn#, EM Kruger#, RT Maqache#, VM Sekese#, CL Valkin# \**Executive*, #*Non-Executive*

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