CAPITAL APPRECIATION

Audited summarised consolidated financial results and cash dividend declaration

FOR THE YEAR ENDED 31ST MARCH 2023

“

We are privileged to live in a dynamically changing era where new, easy-to-use and to access, incredibly powerful, hugely cost-effective, Generative AI and low-cost internet access have the capacity to fundamentally change and significantly improve the way we do things, enhance the performance of our businesses and, so importantly, benefit the lives of every individual, young and old, wherever located. As such, we at Capital Appreciation, government and business must act with vision, bravery and speed in a spirit of mutual benefit, cooperation and partnership to capitalise on the game-changing benefits, opportunities and performance rewards that Generative AI technology, including ChatGPT, and low-cost internet access and related products and services offer. We dare not be displaced by passive inaction and apathy.

”

Michael Pimstein
Executive Chairman

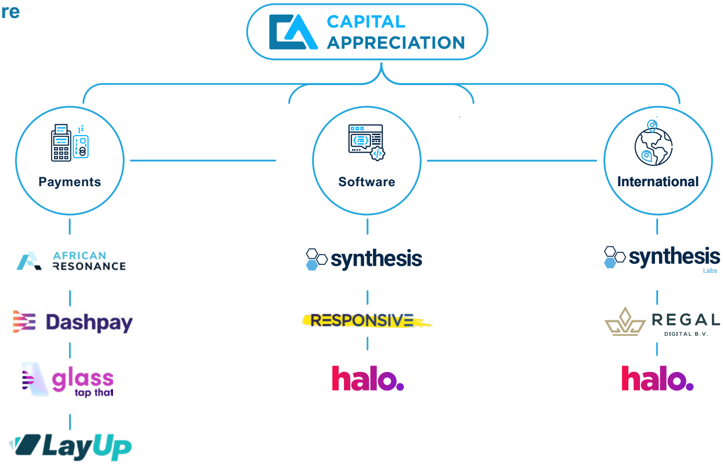
About Capital Appreciation

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

Vision

Capital Appreciation is focused on investing in and growing businesses that deliver compelling, innovative and disruptive solutions to financial enterprises and other clients, allowing them to develop and introduce new products, deliver value to their customers and improve efficiency while controlling and reducing unnecessary operating costs. This vision is underpinned by sound commercial judgement and good corporate governance.

Structure



The Payments segment 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 Glass is a SoftPOS solution built for merchants and merchant acquirers.
- 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.

The Software segment 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 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. In addition to the Group's wholly-owned foreign subsidiaries, Synthesis Europe B.V. and Synthesis Labs BV, Capital Appreciation owns 20% of Regal Digital B.V. that comprises TetraLabs, a Web 3.0 consulting business and Flamelink, a SaaS solution for Google's Firebase.

Halo Dot is a software solution (SoftPOS) that allows any near-field communication (NFC) enabled Android-based device to be a payment acceptance device. It is offered as a software development kit (SDK) for integration into others' apps or as an app on a white label basis.

2023 highlights

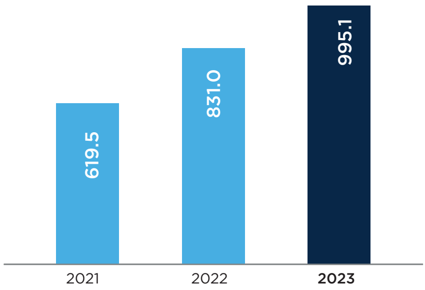
OPERATIONAL FEATURES

- Demand for Group's products and services unabated as corporate digitalisation continues
- Further diversification of revenue streams with particularly strong growth outside South Africa
- Continued growth in terminal estate, up 18% to 328 000
- Strong growth in Payments' annuity income, up 24.1%
- Expected credit loss provision raised of R70.8 million for loan to associate, GovChat, impacted on EPS and HEPS
- Substantial investment into future revenue opportunities impacts short-term earnings
- Continued good cash generation from operations
- Successful integration of Responsive acquisition
- Pending acquisition of the Dariel Group, post-year-end, will add new opportunities

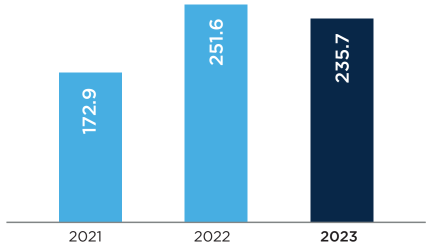
FINANCIAL FEATURES

		March 2023	March 2022	% change
Revenue	(R'million)	**995.1**	831.0	19.7
EBITDA	(R'million)	**235.7**	251.6	(6.3)
EBITDA margin	(%)	**23.7**	30.3	(660)bps
Operating profit	(R'million)	**193.0**	211.8	(8.9)
Headline earnings	(R'million)	**91.5**	163.7	(44.1)
EPS	(cents)	**7.39**	13.37	(44.7)
HEPS	(cents)	**7.44**	13.40	(44.5)
Annual dividend per share	(cents)	**8.25**	7.50	10.0
Net asset value per share	(cents)	**121.1**	120.6	0.4

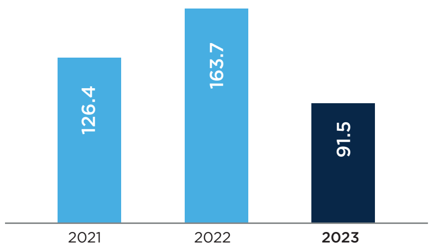
REVENUE (Rm)
up 19.7%



EBITDA (Rm)
down 6.3%

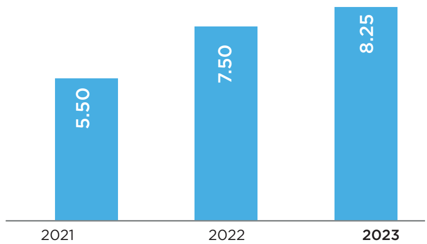


HEADLINE EARNINGS (Rm)
down 44.1%*

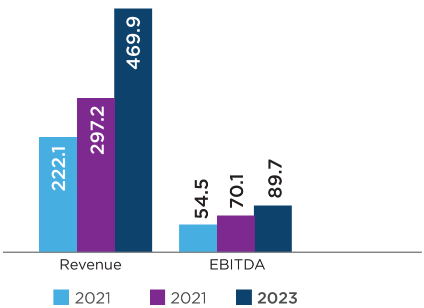


* *After taking into account the expected credit loss of R70.8 million.*

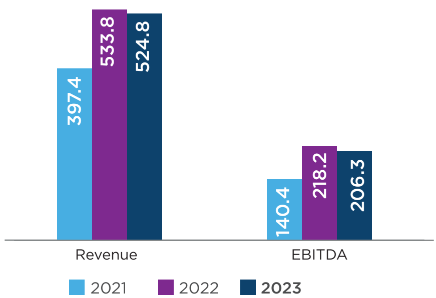
DPS (cents) up 10%



SOFTWARE DELIVERS STRONG GROWTH, CONTINUED INVESTMENT (Rm)



PAYMENTS RESILIENT AFTER RECORD PRIOR YEAR (Rm)



Commentary

INTRODUCTION

Capital Appreciation has experienced continued robust demand for its products and services and further acceleration in commercial activity, notwithstanding the generally acknowledged challenging economic environment. The Software division generated significant revenue growth while the Payments division has performed satisfactorily compared to the record results of the prior year. Importantly, growing pipelines in both divisions and positive momentum in customer engagements have provided the impetus to invest in resources to meet future demand and in research and development to position the Group optimally for expansion. As a result, the business units are well-positioned to meet future demand and the prospects for the year ahead are promising.

The Capital Appreciation divisions continued to attract new blue chip local and international clients during the current financial year, adding to its eminent client base in the banking, financial, retail, healthcare, telecommunications and logistics sectors. Encouragingly, the Group's revenue mix continued to evolve with the introduction of new products, services, and geographies. Capital Appreciation's non-South African revenue grew by 176.9% (2022: 32.7% growth) as the Group continued to expand its presence outside of South Africa, now comprising 15.2% of Group revenue, compared to 6.6% just 12 months ago. The diversification of revenue streams creates notable growth opportunities for the Group.

The Group continued to implement a range of initiatives to improve its transformation credentials. This led to pleasing improvements in the Synthesis B-BBEE rating to a Level 1 contributor and Dashpay, African Resonance and Group ratings to Level 2 contributors.

The Group successfully integrated the Responsive Group, acquired in March 2022, which contributed positively to this set of results.

On 24 April 2023, Capital Appreciation announced the acquisition of Dariel Solutions Proprietary Limited (Dariel), for an aggregate purchase consideration of R131.2 million, to be settled partially in cash and partially in shares, which will be allotted out of treasury shares.

🕮 Details of the acquisition are provided in note 19.2 of this announcement.

Dariel is a South African IT software services provider with a 22-year track record of providing a variety of software engineering/developments and related activities, with a strong focus on software to financial institutions and other financial services and FinTech sectors. Dariel will be reported with the Software Division. The acquisition of Dariel is subject to the fulfilment of certain suspensive conditions. It is anticipated that the acquisitions will become unconditional on or about 30 June 2023.

SUMMARISED FINANCIAL RESULTS

Gross revenues showed excellent growth for the year, increasing by 19.7% to R995.1 million (2022: R831.0 million. Reinvestment into the respective businesses for future growth initiatives totalled R108.8 million and impacted on EBITDA, which decreased by 6.3% to R235.7 million (2022: R251.6 million). Headline earnings declined by 44.1% to R91.5 million (2022: R163.7 million). HEPS decreased by 44.5% to 7.44 cents per share (2022: 13.40 cents) and the drop in Basic EPS for the year of 44.7% to 7.39 cents per share (2022: 13.37 cents). The drop in EPS and HEPS were directly as a result of the expected credit loss provision raised, amounting to R70.8 million, for the GovChat loan.

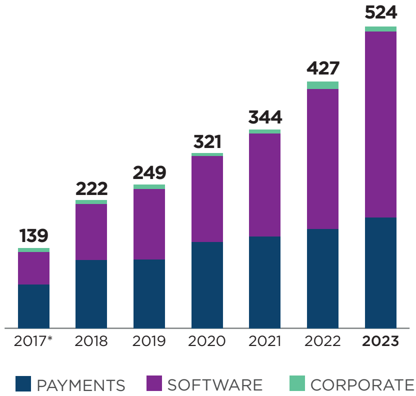
Dividends: The Group has maintained its continued, year-on-year growth in dividends for the sixth consecutive year. A final dividend of 4.00 cents has been declared for the year ended 31 March 2023 (2022: 3.75 cents per ordinary share) bringing the total dividend for the year to 8.25 cents per ordinary share (2022: 7.50 cents per ordinary share). This represents an increase of 10% on the prior year.

Group revenue benefited from good growth in annuity-based revenue in the Payments division and substantial growth in the Software top-line, particularly in cloud-based and digital consulting services, and security hardware sales and third-party software licence fees. The contraction in gross margin was expected as it is mainly attributable to the growth in resale of low margin Security hardware and third-party licence fees.

Operating expenses increased to R313.2 million (2022: R217.8 million) as Capital Appreciation's budgeted expenditure on growth-related initiatives continued, the revenue benefit of which will only manifest in the medium term. The main elements contributing to the increase in expenditure comprise the following:

- As a result of its promising pipeline, the headcount was increased by 22.7% year-on-year to 524 staff members (2022: 427), including a sizable intake of new applicants in Capital Appreciation's graduate recruitment and learnership programmes. Employee-related operating expenses increased by R35.5 million to R152.6 million (2022: R117.1 million). Synthesis employed the bulk of the new staff to be assigned to the new revenue-generating projects that were secured in the past year.

JOB CREATION



- The Responsive acquisition added R39.8 million in new expenses, before reallocations to cost of sales (2022: R3.5 million).
- The infrastructure and personnel costs for the international office in Amsterdam amounted to R7.7 million (2022: R2.1 million).
- Investment expenses in developing new technology solutions for Halo Dot and Dashpay Glass added costs of R15.9 million (2022: R4.8 million).
- Advertising and marketing spend were R6.9 million (2022: R2.6 million).
- Due diligence and acquisition costs amounted to R3.0 million (2022: R2.2 million).

Despite these increases, there is a continuous focus on cost efficiencies. During the year, the Payments division and corporate office moved to larger premises in Linbro Business Park, providing capacity for expansion for the next five years as well as meaningful cost savings on accommodation costs.

GovChat – Capital Appreciation owns 35% of digital platform GovChat and has been supporting GovChat with enterprise development funding and technological expertise. Although the platform's service offering works effectively and provides the government with significant value, securing formal revenue-generating contracts has taken longer than anticipated, exacerbated by anti-competitive interference by WhatsApp and Facebook (Meta) in GovChat's operations, which prevented GovChat from expanding. Due to these circumstances, GovChat spent a substantial amount of money on legal fees to confront Meta before the Competition Tribunal and to respond to the Competition Commission investigation.

On 22 December 2022, GovChat entered business rescue, and the Group and GovChat entered into a post-commencement funding agreement with the Business Rescue Practitioner to continue running the business as a going concern. The Group has resolved to adopt a conservative approach by raising an expected credit loss provision of R70.8 million for GovChat, which has reduced basic earnings but has had no material impact on the Group's cash resources or its net asset value per share. The Group retains its shareholding in the Company and the loan to GovChat continues to be secured by a pledge of the shares in GovChat as well as the intellectual property of GovChat.

Capital Appreciation continues to believe in the merits of GovChat's stated position related to Meta's anti-competitive conduct and intends to continue to pursue the claims against Meta. The operating costs of GovChat while under the control of the Business Rescue Practitioners have been reduced materially, and Capital Appreciation has to date decided to continue to judiciously fund GovChat in the short term, until there is clarity of the future of the company.

EBITDA – The substantial budgeted costs expensed in building longer-term capacity, international expansion and new product innovation have had a short-term impact on profit and margins, with the EBITDA margin for the period decreasing by 660 basis points to 23.7% (2022: 30.3%).

Finance income earned on the Group's significant cash balances increased by 59.1%, as a result of a 3.5% increase in interest rates year-on-year.

Treasury shares decreased from 80 911 595 to 77 096 541 shares. Capital Appreciation sold 4 015 054 treasury shares for settling vested share options and repurchased 200 000 treasury shares at an average price of 147 cents per share.

Inventory levels of terminals and spare parts have been increased to ensure quality service levels for customers. Trade receivables which increased notably at year-end were settled together with related payables to suppliers, in April, post-year-end.

Cash flow: Capital Appreciation's divisions are strong cash generators. The main cash outflows during the year have been higher tax and dividend payments, the purchase of two generators, new office and IT equipment, leasehold improvements for the new premises, growth in the terminal rental book and additional loans to associates. Despite these outflows, the Group had cash resources of R494.9 million at 31 March 2023 (2022: R533.4 million). These resources will be applied to fund the Dariel acquisition, anticipated organic growth as well as further development of new solutions, and also to fund the cost of new complementary investment and acquisition opportunities. Given appropriate circumstances, the Group will continue to consider the repurchase of shares in the market.

DIVISIONAL REVIEW

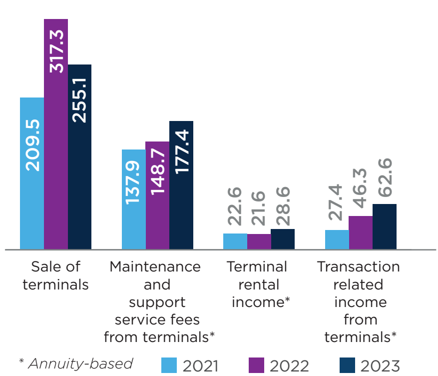
Payments

The Payments division generated a resilient performance in challenging conditions off a record result in the prior year, continuing its characteristic performance as a stable, predictable business manifesting some seasonality in terms of financial period cut-off points. As a leading player in the industry, it continued to experience strong demand for its products and services and to grow its client base.

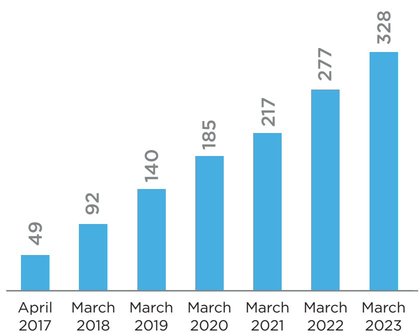
Payments operates in a sector more directly affected by the impact of loadshedding on smaller businesses. Hardest hit by closures, these small businesses left acquiring banks with surplus point-of-sale terminal stock, leading to a decrease in the number of terminals sold after achieving record sales in the prior year. The lower volume, as well as a change in product mix towards lower-priced Android terminals, moderated revenue growth. This was partially compensated for by pleasing growth in annuity-based income, culminating in revenue of R524.8 million (2022: R533.8 million), only marginally (1.7%) down on the prior year.

The total number of point of sales (POS) terminals in the hands of customers increased by 18.4% to 328 000 at 31 March 2023. This reflects a compounded annual growth rate of 37% since the business was acquired in 2017 when the estate comprised some 49 000 terminals. This growth was made possible by a combination of an expanding market, as well as the Group gaining material market share over the past six years.

PAYMENTS REVENUE SOURCES (Rm)



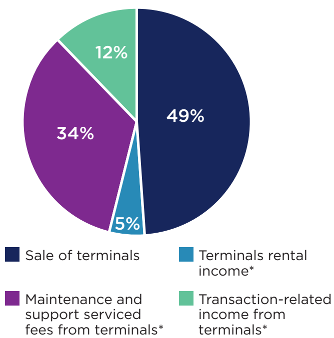
TERMINALS IN THE HANDS OF CLIENTS ('000) – 6 YR CAGR – 37%



Commentary continued

Android continues to drive terminal sales activity, with many institutions looking to introduce Android solutions. This demand is expected to accelerate as the banks begin to replace large portions of their older estates in response to the South African Government's announcement that the 2G and 3G networks will be shut down between 2024 and 2025. Furthermore, while customers' preference in difficult economic times may be to extend the life of terminals to contain costs, advancements in technology and enhanced functionality are natural champions for shortening the terminal replacement cycle. These trends all point to increased demand for POS terminals over the medium term.

PAYMENTS REVENUE COMPOSITION
Annuity-based revenue now comprises half of the revenue in the Payments division



** Annuity-based*

Annuity-based terminal maintenance and support fees increased by a pleasing 19.3% and income from transaction-related activities by 35.3%, the latter in line with the growing Android estate size. Due to strong customer demand, the Group's payments-related software solutions are being extended to provide hardware-agnostic solutions across customers' full device estates. In this regard, the division was recently awarded a new software contract by one of South Africa's leading banks and is exploring similar initiatives with others. Payment software solutions for other end markets are also in the process of being rolled out to create further revenue and customer diversification.

Dashpay launched **Dashpay Glass**, a full end-to-end implementation of Halo Dot, through direct relationships with SME merchants and as a white-label solution to Merchant Aggregators. We believe the white labelling of the solution has great attraction across Africa and will be an area of focus in the coming year. As it relates to SMEs, while there has been good interest in the product, it will take time to build meaningful momentum in activation and usage as the penetration of NFC-enabled phones increases in the SME market.

EBITDA decreased by 5.5% to R206.3 million (2022: R218.2 million), mainly as a result of slightly lower revenue and the inflationary increase in operating expenses. Loadshedding caused diesel for generators to increase from R8 000 to R419 000 year-on-year, and is anticipated to exceed R1 million in 2024. The division will continue to invest in anticipation of increased business activity and a healthy pipeline. In response to supply chain challenges, the division conservatively increased levels of terminals and spare parts to ensure customer service level excellence.

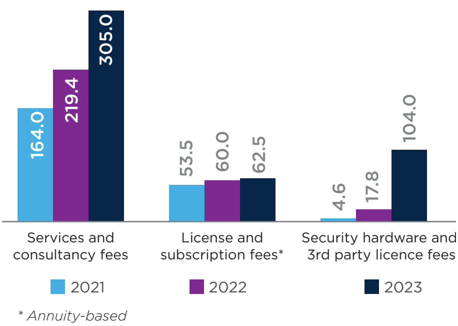
Capital Appreciation's associate, **LayUp**, is Africa's first fully digital Lay-By and recurring payments business and offers a PASA-certified omnichannel digitised payment plan solution for retailers, improving access for consumers while opening new revenue streams for merchants. LayUp continued to gain traction, with a steady increase in the number of payment plans on its books and a year-on-year growth in the merchant order value of 346%, off a low base. LayUp boasts a 95% completion rate with payment plans ranging from as small as R80 to up to R550 000. The offering is also available on Dashpay-supplied physical terminals at points of sale. The business remains in its formative stage, and the Group is supporting management to develop the value proposition.

Software

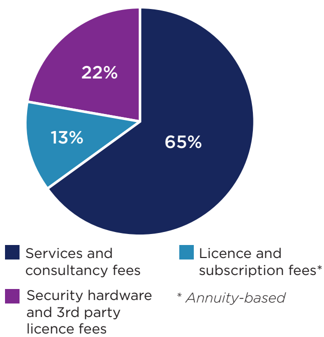
Synthesis has continued to deliver excellent top-line growth and profits for the Group. The business is in a growth phase based on demand experienced. The second half of the year presented some challenges as certain licensing agreements were not renewed, while costs increased due to the scaling up of the team and infrastructure in advance of future anticipated revenues.

Revenue increased by 58.1% to R469.9 million (2022: R297.2 million). Services and consultancy fees accelerated by 39.0% due to the increased demand for cloud and digital projects, and Security hardware and third-party licence fees which increased significantly to R104.0 million (2022: R17.8 million). This was partly due to increased Hardware Security Modules (HSM) sales in projects for two major banks by the Payment Technology and Cryptography unit and additionally as a result of a significant increase in partnership resale transactions during the period.

SOFTWARE REVENUE SOURCES



SOFTWARE REVENUE COMPOSITION



Commentary continued

The security hardware and third party license fees generate attractive additional revenue, although at materially lower gross margins. It is important to note that the margins of the core business, namely Synthesis Services and Consultancy fees and the Licence and Subscription fees (sales of Synthesis developed software products), remain consistent with the prior year, with a more meaningful contribution to profitability.

EBITDA increased by 28% to R89.7 million (2022: R70.1 million). To take advantage of the strong demand and current and future contracts, the division has materially increased its headcount and marketing and business development spend and has continued to advance investment into its tap-on-phone Halo Dot initiative, a significant portion of which has been expensed in the reporting period. The depreciation of the Rand also had a notable impact as certain key computer and software expenses required for the generation of income are US Dollar- or Euro-based. The Group believes that the increase in expenses is required to fuel the growth both locally and internationally. These expenses will continue to be closely managed to ensure return on investments made, and improvement on operational leverage as the business continues to expand.

Synthesis continued to grow its leading position in **Cloud** migration and modernisation initiatives as an AWS advanced consulting partner. Its capabilities are also being extended to assist customers on both Microsoft Azure and particularly the Google Cloud Platform and these capabilities will be further strengthened by the recently announced Dariel acquisition. **Digital** revenue benefited from new project wins with financial services clients in South Africa and Mauritius, as well as good progress with the large, multi-year international logistics project. The project has increased the division's international exposure and generates significant foreign currency revenue.

Growth in **Intelligent Data** has continued unabated, growingly revenue strongly year-on-year. The business unit is executing a portion of the abovementioned logistics project, and has landed its first Netherlands client (a large insurer), as well as a new local banking customer in the past year. Synthesis continues to strengthen its relationships with global suppliers, having been named Confluent's Nordics, Europe, Middle East and Africa (NEMEA) Focus partner. The business unit is also accelerating the adoption of Generative AI (such as OpenAI's ChatGPT and GPT-4) tools into the core of the Software business and for its customers.

Halo Dot won two SoftPOS contracts through tender processes, one with a major local telecoms business and one with a major international bank. Halo Dot is now live with five customers, with more to launch imminently, including two applications in the UK. It has invested significantly in key initiatives, new products, and PCI certification readiness and compliance.

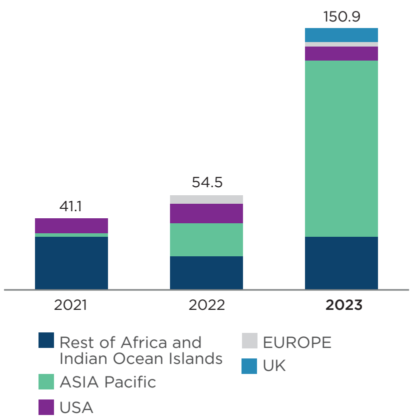
Additionally, the **Payments Centre of Excellence** has been set up to further enhance Capital Appreciation's position in the payments domain. It leverages its expertise, and provides consultancy and technical services in the area of high value and low volume payments which reinforces the Group's commitment to driving innovation and meeting the evolving needs of its clientele. The Software Business Unit has also continued to allocate significant resources to its **Managed Services** offering. This strategic investment positions the Software Business Unit as a reliable partner managing critical infrastructure and emerging technology implementations on behalf of clients.

The **Responsive** acquisition concluded in March 2022 was successfully integrated into the Software division this year. It has already contributed positively during the reporting period and has performed ahead of its 25-months earnings warranty targets. The financial contribution of the Responsive Group which has been included for the full year in this set of results, reflect revenue of R50.9 million (2022: R4.7 million) and operating profit of R12.1 million (2022: R1.2 million).

International division

International revenue increased nearly threefold to R150.9 million year-on-year (2022: R54.5 million), as efforts to establish a presence in international markets continue to bear fruit. Much of this revenue is currently managed, transacted and executed in South Africa in foreign currencies.

INTERNATIONAL REVENUE (Rm)
up 177%



One of the International division's key initiatives is to commercialise and sell software services and the Halo Dot product globally. These efforts gained traction during the year, landing a Halo Dot contract with a large international banking group as well as an Intelligent Data project with a large Netherlands-based insurance group. New appointments have been made to focus on international growth and expansion within Europe, the UK and the Middle East regions.

The International division remains in a developmental stage and incurs development and set-up costs, which are expensed. As evident from the revenue growth, this is a long-term strategic initiative with significant upside potential. The Group is committed to investing appropriately in business development and marketing to realise these benefits over the longer term.

As part of the Responsive transaction, Capital Appreciation subscribed for 20% of Netherlands-based Regal Digital B.V. and also provided Regal Digital with a non-interest-bearing working capital loan of R9.5 million (€493 822). Another European-based Fintech investor simultaneously invested in Regal Digital on the same terms as Capital Appreciation referred to above. Regal Digital is currently operating at trading profit and cash flow break even, and the investment by Capital Appreciation and its co-investor provides a significant capital injection to further grow its Web 3 and SaaS offerings. Regal Digital works closely with Synthesis Labs B.V. to target EU-based customers and seek out synergistic opportunities.

PROSPECTS

As consumers become accustomed to commerce that is digital, secure, fast and flexible, the pressure on businesses to continue to innovate and become more digitally enabled continues to accelerate. Capital Appreciation has the appropriate skills, experience, and track record to assist clients to satisfy these needs and maximise the benefits from these technological advancements. This will continue to support the positive growth prospects for the Group.

The Group remains optimistic in its outlook for the Payments businesses. The demand for POS terminals is expected to continue as customers replace their ageing terminal estates to take advantage of improvements in technology and more functionally rich solutions. The required refreshment of the bank estates due to the sunsetting of the 2G and 3G networks will also benefit demand. Payments has a robust pipeline of business activities in process and is expecting double-digit growth for the 2024 financial year.

Software anticipates trading conditions to remain positive in the new financial year and its sales pipeline indicates especially positive growth and value creation ahead.

The actual performance for both business divisions may, however, change due to the state of the global markets and South African macro- and micro-economic risks and these are being monitored carefully.

The Group's balance sheet remains very strong and ungeared. Capital Appreciation has significant cash resources and the appetite to take advantage of substantial organic growth opportunities available to each of its business units, as well as to consider strategically complementary investment and acquisition opportunities. A focus in early 2024 will be to successfully conclude the Dariel acquisition and further commercialise the Group's intellectual property.

DIVIDENDS

The Board has the pleasure of announcing that a final dividend of 4.00 cents per ordinary share has been declared for the year ended 31 March 2023 (2022: 3.75 cents per ordinary share), bringing the total dividend to 8.25 cents per ordinary share (2022: 7.50 cents per ordinary share).

We note the following:

- Dividends are subject to dividends withholding tax.
- Dividends have been declared out of profits available for distribution.
- Local dividends withholding tax is 20%.
- The gross dividend amount is 4.00000 cents per ordinary share, which is 3.20000 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.

The salient dates relating to the dividend are as follows:

Last day of trade *cum* dividend	Tuesday, 27 June 2023
Shares commence trading *ex*-dividend	Wednesday, 28 June 2023
Dividend record date	Friday, 30 June 2023
Dividend payment date	Monday, 3 July 2023

Share certificates for ordinary shares may not be dematerialised or rematerialised between Wednesday, 28 June 2023 and Friday, 30 June 2023, 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 2022 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 5 June 2023. 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 Pimstein	**Bradley Sacks**	**Alan Salomon**
Executive Chairman	*Chief Executive Officer*	*Chief Financial Officer*

Sandton
6 June 2023

Audited summarised consolidated financial results

for the year ended 31 March 2023

and cash dividend declaration

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Group statement of financial position

At 31 March 2023

Figures in R'000	Notes	2023	Reclassified* 2022
ASSETS			
Property, plant and equipment		**42 481**	24 065
Intangible assets	3	**68 371**	68 196
Right-of-use assets	4	**17 325**	8 115
Goodwill	6	**760 229**	760 229
Investment in associates	7	**2 792**	4 842
Loans to associates	8	**12 154**	54 624
Deferred tax		**3 600**	3 680
Non-current assets		**906 952**	923 751
Inventories		**47 008**	12 180
Trade and other receivables		**200 260**	129 248
Taxation receivable		**4 790**	4 774
Loans to associates		**9 526**	–
Cash and cash equivalents	9	**494 856**	533 424
Current assets		**756 440**	679 626
Total assets		**1 663 392**	1 603 377
EQUITY AND LIABILITIES			
Capital and reserves		**1 493 273**	1 482 531
Share capital	10	**1 014 729**	1 008 639
Share-based payment reserve		**33 352**	20 455
Contingent consideration reserve	11	**9 582**	9 582
Foreign currency translation reserve		**(709)**	42
Retained income		**436 319**	443 813
Non-controlling		**2 054**	1 096
Total equity		**1 495 327**	1 483 627
Deferred revenue		**5 788**	5 902
Lease liability	5	**13 932**	1 503
Deferred tax		**8 609**	11 193
Contingent consideration	11	**-**	6 370
Non-current liabilities		**28 329**	24 968
Contingent consideration		**6 646**	–
Deferred revenue		**14 051**	10 513
Lease liability	5	**4 041**	9 135
Trade and other payables		**114 717**	74 233
Taxation payable		**281**	901
Current liabilities		**139 736**	94 782
Total equity and liabilities		**1 663 392**	1 603 377
Net asset value per ordinary share (cents)		**121.1**	120.6

* *Retrospectively reclassified in terms of IFRS 3. Refer to note 6.*

Group statement of comprehensive income

For the year ended 31 March 2023

Figures in R'000	Notes	2023	Reclassified* 2022
Revenue	1	**995 113**	830 978
Cost of sales		**(495 600)**	(402 079)
Gross profit		**499 513**	428 899
Other income		**6 617**	749
Operating expenses*		**(313 173)**	(217 832)
Operating profit	12	**192 957**	211 816
Finance income		**36 943**	23 227
Finance costs		**(276)**	(34)
Finance costs: lease liabilities		**(448)**	(1 124)
Equity accounted loss in associate		**(2 156)**	(1 185)
Expected credit loss raised		**(70 785)**	–
Profit before taxation		**156 235**	232 700
Taxation	14	**(64 324)**	(69 409)
Profit after taxation		**91 911**	163 291
Attributable to:			
Shareholders of the Company		**90 953**	163 230
Non-controlling interest		**958**	61
		91 911	163 291
Foreign currency translation reserve adjustments		**(751)**	42
Total comprehensive income for the year		**91 160**	163 333
Attributable to:			
Shareholders of the Company		**90 202**	163 272
Non-controlling interest		**958**	61
Total comprehensive income for the year		**91 160**	163 333
Basic earnings per share (cents)	2	**7.39**	13.37
Diluted earnings per share (cents)	2	**6.87**	12.71

* *Operating expenses in 2022 have been reclassified in line with the presentation requirements of IAS 1 as part of continuous improvements in terms of IFRS. Depreciation of property, plant and equipment and depreciation of right-of-use assets and amortisation of intangible assets and transformation, share-based payments and acquisition costs were previously disaggregated on the face of the Statement of Comprehensive Income (SOCI), but this has been aggregated in the current year to better present the SOCI in line with the requirements of IFRS. Refer to note 12 for the breakdown of these items.*

Group statement of cash flows

For the year ended 31 March 2023

Figures in R'000	Notes	2023	2022
Cash generated from operations	13	**183 182**	204 291
Finance income received		**33 112**	22 042
Finance costs paid		**(448)**	(1 136)
Dividends paid		**(98 447)**	(82 124)
Taxation paid		**(66 841)**	(56 882)
Net cash inflow from operating activities		**50 558**	86 191
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(33 545)**	(9 144)
Proceeds on disposal of property, plant and equipment and intangible assets		**243**	822
Capitalisation of intangible assets		**(23 180)**	(17 409)
Net cash paid on acquisition of subsidiaries in the Responsive Group		**-**	(8 674)
Acquisition of shares in associate		**(106)**	(170)
Loans to associates		**(29 041)**	(33 794)
Net cash outflow from investing activities		**(85 629)**	(68 369)
Cash flows from financing activities			
Repayment of lease liability		**(9 683)**	(8 917)
Proceeds from sale of 4 015 054 treasury shares in settlement of vested share options (2022: 1 380 000 treasury shares)		**6 387**	2 611
Purchase of 200 000 treasury shares (2022: 13 377 540)		**(297)**	(16 396)
Net cash outflow from financing activities		**(3 593)**	(22 702)
Net decrease in cash and cash equivalents		**(38 664)**	(4 880)
Cash and cash equivalents at beginning of year		**533 424**	538 316
Net foreign exchange difference		**96**	(12)
Cash and cash equivalents at end of year	9	**494 856**	533 424

Group statement of change in equity

For the year ended 31 March 2023

Figures in R'000	Ordinary share capital	Share-based payment reserve
Balance at 1 April 2021	1 003 261	9 926
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 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	–	–
Balance at 31 March 2022	1 008 639	20 455
Profit for the year	**–**	**–**
Other comprehensive income	**–**	**–**
Total comprehensive income	**–**	**–**
Share-based payment expense	**–**	**15 987**
Settlement of vested share options	**–**	**(3 090)**
Purchase of treasury shares (200 000 shares)	**(297)**	**–**
Exercised share options out of treasury shares (4 015 054 shares)	**6 387**	**–**
Cash dividends paid	**–**	**–**
Balance at 31 March 2023	**1 014 729**	**33 352**

Contingent consideration reserve	Foreign currency translation reserve	Retained income	Total equity attributable to shareholders of the company	Non-controlling interest	Total equity
–	–	362 707	1 375 894	–	1 375 894
–	–	163 230	163 230	61	163 291
–	42	–	42	–	42
–	42	163 230	163 272	61	163 333
–	–	–	12 015	–	12 015
–	–	–	(1 486)	–	(1 486)
–	–	–	19 163	–	19 163
–	–	–	(16 396)	–	(16 396)
–	–	–	2 611	–	2 611
9 582	–	–	9 582	–	9 582
–	–	(82 124)	(82 124)	–	(82 124)
–	–	–	–	1 035	1 035
9 582	42	443 813	1 482 531	1 096	1 483 627
-	**-**	**90 953**	**90 953**	**958**	**91 911**
-	**(751)**	**-**	**(751)**	**-**	**(751)**
-	**(751)**	**90 953**	**90 202**	**958**	**91 160**
-	**-**	**-**	**15 987**	**-**	**15 987**
-	**-**	**-**	**(3 090)**	**-**	**(3 090)**
-	**-**	**-**	**(297)**	**-**	**(297)**
-	**-**	**-**	**6 387**	**-**	**6 387**
-	**-**	**(98 447)**	**(98 447)**	**-**	**(98 447)**
9 582	**(709)**	**436 319**	**1 493 273**	**2 054**	**1 495 327**

Group segment analysis

For the year ended 31 March 2023

Figures in R'000	Payments Segment 2023	Payments Segment Reclassified* 2022	Software Segment 2023	Software Segment Reclassified* 2022
Revenue received from all customers**	**524 791**	533 772	**469 855**	297 206
Revenue received from all customers	**524 791**	533 772	**471 178**	299 648
Less: Revenue received from inter segmental customers	**-**	–	**(1 323)**	(2 442)
EBITDA profit/(loss)	**206 325**	218 239	**89 668**	70 089
Operating profit/(loss)	**185 477**	201 019	**79 430**	61 360
Expected credit loss raised	**(2 230)**	–	**(1 650)**	–
Total assets	**1 113 710**	989 611	**382 241**	341 505
Total liabilities	**72 343**	31 487	**74 226**	68 709
Net assets	**1 041 367**	958 124	**308 015**	272 796
Geographical information				
Revenue	**524 791**	533 772	**469 855**	297 206
South Africa	**519 133**	529 565	**325 062**	246 911
Rest of Africa and Indian Ocean Islands	**5 658**	4 207	**24 811**	14 920
Asia Pacific	**-**	–	**101 904**	19 214
United States of America	**-**	–	**7 924**	11 229
United Kingdom	**-**	–	**8 129**	–
Europe	**-**	–	**2 025**	4 932
Total assets	**1 113 710**	989 611	**382 241**	341 505
South Africa	**1 113 710**	989 611	**382 241**	341 505
Europe	**-**	–	**-**	–
Total liabilities	**72 343**	31 487	**74 226**	65 188
South Africa	**72 343**	31 487	**74 226**	65 188
Europe	**-**	–	**-**	–

* *Retrospectively reclassified in terms of IFRS 3. Refer to note 6.*

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

International Segment		Corporate		Group	
2023	2022	2023	Reclassified* 2022	2023	Reclassified* 2022
467	–	**-**	–	**995 113**	830 978
2 174	–	**-**	–	**998 143**	833 420
(1 707)	–	**-**	–	**(3 030)**	(2 442)
(7 220)	(3 594)	**(53 060)**	(33 153)	**235 713**	251 581
(7 257)	(3 594)	**(64 693)**	(46 969)	**192 957**	211 816
-	–	**(66 905)**	–	**(70 785)**	–
3 465	503	**163 976**	271 758	**1 663 392**	1 603 377
699	111	**20 797**	19 443	**168 065**	119 750
2 766	392	**143 179**	252 315	**1 495 327**	1 483 627
467	–	**-**	–	**995 113**	830 978
-	–	**-**	–	**844 195**	776 476
-	–	**-**	–	**30 469**	19 127
-	–	**-**	–	**101 904**	19 214
-	–	**-**	–	**7 924**	11 229
-	–	**-**	–	**8 129**	–
467	–	**-**	–	**2 492**	4 932
3 465	503	**163 976**	271 758	**1 663 392**	1 603 377
-	–	**163 976**	271 758	**1 659 927**	1 602 874
3 465	503	**-**	–	**3 465**	503
699	111	**20 797**	19 443	**168 065**	116 229
-	–	**20 797**	19 443	**167 366**	116 118
699	111	**-**	–	**699**	111

Group segment analysis continued

For the year ended 31 March 2023

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 segment 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 segment is an aggregation of African Resonance and Dashpay as they both generate revenue from similar types of transactions.
- The Software segment generates revenue from services and consultancy fees, licence and subscription fees and sale of security hardware and third party license fees.

  The Software segment is an aggregation of Synthesis and the Responsive Group as they both generate revenue from similar types of transactions.
- The international segment consists of an offshore company in the Netherlands, Synthesis Labs B.V, which is a wholly-owned subsidiary of Synthesis Europe B.V. The International segment has a similar transaction profile with the South African Software segment.

No reliance is placed on one major customer.

Corporate is not a reportable Segment. However it provides the Group with strategic direction; regulatory compliance and governance; administrative, financial and secretarial services; management of insurance; internal audit and Group treasury management.

Notes to the Group financial statements

For the year ended 31 March 2023

1. REVENUE

Figures in R'000	2023	2022
Payment division		
Terminal rental income	**28 630**	21 581
Maintenance and support service fees from terminals	**177 372**	148 661
Sale of terminals	**255 090**	317 270
Transaction-related income from terminals	**62 609**	46 260
	523 701	533 772
Software division		
Services and consultancy fees	**304 992**	219 419
Licence and subscription fees	**62 455**	60 021
Security hardware and third-party license fees	**103 965**	17 766
	471 412	297 206
Total revenue	**995 113**	830 978

Disaggregation of revenue from contracts with customers

The Group disaggregates revenue from customers as follows:

Figures in R'000	2023	2022
Sale of goods		
Sale of terminals	**255 090**	317 270
Security hardware and third-party license fees	**103 965**	17 766
	359 055	335 036
Rendering of services		
Services and consultancy fees	**304 992**	219 419
Licence and subscription fees	**62 455**	60 021
Terminal rental income	**28 630**	21 581
Maintenance and support service fees from terminals	**177 372**	148 661
Transaction related income from terminals	**62 609**	46 260
	636 058	495 942
Total revenue	**995 113**	830 978

Group as a lessor

The Group has entered into operating leases on its rental terminals (refer note 3). These operating leases have terms of three years. Rental income recognised by the Group during the year is R28.6 million (2022: R21.6 million).

1. REVENUE continued

Future minimum rentals receivable under the operating leases as at 31 March 2023 are as follows:

Figures in R'000	2023	2022
Within year one	**33 390**	28 630
Within year two	**61 517**	33 390
Within year three	**38 562**	61 517
	133 559	123 537

There were no unsatisfied revenue obligations at year-end

* *The payments division enters into merchant rental agreements for point of sale terminals with the following salient terms:*

- *The term for each rental agreement is three years*
- *Rental fees has an annual escalation, based on CPI*
- *At the end of the term, the lessee has a responsibility to return the terminal to the lessor in good, working condition, fair wear and tear accepted*
- *There is no residual value of the terminal at end of term*
- *The lessee is not allowed to acquire any title to the terminal, and the lessor will retain ownership of the terminal at all times.*

2. 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	2023	2022
Profit for the year attributable to ordinary shareholders	**90 953**	163 230
Loss on disposal of property, plant and equipment and intangible assets	**791**	651
Tax on loss on disposal of property, plant and equipment and intangible assets	**(214)**	(182)
Headline earnings	**91 530**	163 699

	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)	**1 230 959**	1 221 266
Diluted weighted average number of ordinary shares in issue ('000)	**1 324 634**	1 283 791

2. EARNINGS PER SHARE continued

Earnings per share	Cents per share	Cents per share
Basic earnings per share	**7.39**	13.37
Headline earnings per share	**7.44**	13.40
Diluted earnings per share	**6.87**	12.71
Diluted headline earnings per share	**6.91**	12.75

3. INTANGIBLE ASSETS

	2023		
Figures in R'000	Cost	Accumulated amortisation	Carrying value
Computer software	**78 201**	**(28 824)**	**49 377**
Trademark	**75**	**(2)**	**73**
Intangible asset recognised on acquisition of businesses	**96 389**	**(77 468)**	**18 921**
Customer relationships	**80 859**	**(61 938)**	**18 921**
Computer software	**15 530**	**(15 530)**	**–**
Total	**174 751**	**(106 380)**	**68 371**

Reconciliation of intangible assets

	2023			
	Opening balance	Additions	Amortisation	Carrying value
Computer software	**37 041**	**23 105**	**(10 769)**	**49 377**
Trademark	**–**	**75**	**(2)**	**73**
Intangible asset recognised on acquisition of businesses*	**31 115**	**–**	**(12 234)**	**18 921**
Customer relationships	**31 115**	**–**	**(12 234)**	**18 921**
Total	**68 196**	**23 180**	**(23 005)**	**68 371**

3. INTANGIBLE ASSETS continued

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	96 389	(65 234)	31 155
Customer relationships	80 859	(49 704)	31 155
Computer software	15 530	(15 530)	–
Total	151 571	(83 375)	68 196

Reconciliation of intangible assets

	2022** Opening balance	Additions	Disposals	Amortisation	Carrying value
Computer software	29 794	17 409	(697)	(9 465)	37 041
Customer web portal	50	–	–	(50)	–
Intangible asset recognised on acquisition of businesses	31 382	13 041	–	(13 268)	31 155
Customer relationships	28 718	13 041	–	(10 604)	31 155
Computer software	2 664	–	–	(2 664)	–
Total	61 226	30 450	(697)	(22 783)	68 196

* *The Group acquired the Responsive group on 1 March 2022 and an intangible asset was recognised on the acquired businesses amounting to R13.0 million. The additional intangible asset recognised on acquisition of businesses, amount to R13.0 million, relates to customer relationships and is being amortised over 8 years. See note 6.*

** *Retrospectively reclassified in terms of IFRS 3. Refer to note 6.*

4. RIGHT-OF-USE ASSETS

Figures in R'000	2023 Cost	Accumulated depreciation	Carrying value
Right-of-use assets	**29 216**	**(11 891)**	**17 325**

Reconciliation of right-of-use assets

Figures in R'000	2023 Opening balance	Additions*	Depreciation	Carrying value
Office premises	**8 115**	**17 018**	**(7 808)**	**17 325**

Figures in R'000	2022 Cost	Accumulated depreciation	Carrying value
Office premises	32 401	(24 286)	8 115

Reconciliation of right-of-use assets

Figures in R'000	2022 Opening balance	Depreciation	Carrying value
Office premises	16 210	(8 095)	8 115

* *African Resonance, a subsidiary of the Group entered into a new five-year lease for the period 1 February 2023 to 31 January 2028 for premises measuring 5 573 m², which are located in Linbro Business Park, Johannesburg. The rented premises are used for the purpose of administration offices, warehousing and distribution and servicing of customers point of sale terminals. The lease contains standard terms and conditions normally found in a lease providing facilities to meet the purpose recorded above. The lease has an annual escalation of 7%. African Resonance has an option to renew the leased premises for a further two-year period after the expiry of the initial five-year period, subject to rental and other charges for the renewable period being agreed by both the lessor and lessee.*

On 1 August 2022 the Responsive Group entered into a two-year lease, with a 8% annual escalation. The premises, which are administration offices, are located in Cape Town.

Notes to the Group financial statements continued
For the year ended 31 March 2023

5. LEASE LIABILITY

Set out below are the carrying amounts of lease liabilities and the movements during the period:

Figures in R'000	2023	2022
At 1 April	**10 638**	19 555
New lease*	**17 018**	–
Accretion of interest	**448**	1 124
Payments	**(10 131)**	(10 041)
Total	**17 973**	10 638
Non-current liabilities	**13 932**	1 503
Current liabilities	**4 041**	9 135
Total	**17 973**	10 638

* *Refer to note 4.*

6. GOODWILL

Figures in R'000	2023	2022*
Carrying value at the beginning of the year	**760 229**	728 578
Acquisition through business combination	**-**	31 651
Responsive Build	**-**	17 621
Rethink Digital Solutions	**-**	14 030
Carrying value at the end of the year	**760 229**	760 229
Reconciliation		
Payments division	**603 604**	603 604
Software division	**156 625**	156 625
Total	**760 229**	760 229

6. GOODWILL continued

	Reconciliation 2022*				
	Opening balance	Acquisition through business combination	Allocation to intangible assets	Deferred tax	Closing balance balance
Carrying value at the beginning of the year	728 578	–	–	–	728 578
Acquisition through business combination	–	41 171	(13 041)	3 521	31 651
Responsive Build	–	24 974	(10 072)	2 719	17 621
Rethink Digital Solutions	–	16 197	(2 969)	802	14 030
Carrying value at the end of the year	728 578	41 171	(13 041)	3 521	760 229
Reconciliation					
Payments division	603 604	–	–	–	603 604
Software division	124 974	41 171	(13 041)	3 521	156 625
Total	728 578	41 171	(13 041)	3 521	760 229

6.1 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).

The Group performed an annual test for impairment of the CGUs, which were acquired in May 2017, to which goodwill of R728.6 million is attributed. The recoverable amount of the businesses (CGUs) 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 19.2% (2022: 18.5%) for the Payments division and 20.3% (2022: 19.7%) for the Software business. Comparable pre-tax discount rates for purpose of impairment testing would be 25.1% and 26.2% for the Payments and Software CGUs respectively. Cash flows and trading forecasts have been projected for a period of five years.

6. GOODWILL continued

The Payments division has forecasted compounded revenue growth of 10.0% over the next five-year period. Trading and operating margins have been assumed to remain consistent with the 2023 financial year results.

The Software division has forecasted compounded revenue growth of 16.6% over the next five-year period. Trading and operating margins have been assumed to remain consistent with the 2023 financial year results.

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

The Group performed an annual test for impairment of the CGUs, which were acquired in March 2022, to which goodwill of R17.6 million and R14.0 million is attributed for Responsive Build and Rethink Digital Solutions respectively. The recoverable amount of the businesses (CGUs) 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 21.4% for Responsive Build and 21.4% for Rethink Digital Solutions. Comparable pre-tax discount rates for purpose of impairment testing would be 28.2% and 28.0% for Resposive Build and Rethink Digital Solutions CGUs respectively. Cash flows and trading forecasts have been projected for a period of five years.

Responsive Build has forecasted compounded revenue growth of 10.6% over the next five-year period. Trading and operating margins have been assumed to remain consistent with the 2023 financial year results.

Rethink Digital Solutions has forecasted compounded revenue growth of 16.2% over the next five-year period. Trading and operating margins have been assumed to remain consistent with the 2023 financial year results.

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

6.2 Acquisition of businesses during the prior 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”);
- 71% of the issued share capital of Rethink Digital Solutions Proprietary Limited (Rethink Digital Solutions); and

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

6. GOODWILL continued

Acquisition of 100% Responsive Build

Assets acquired and liabilities assumed:

The 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
Assets	
Property, plant and equipment	101
Deferred tax asset	529
Trade and other receivables	12 263
Taxation receivable	379
Cash and cash equivalents	3 124
	16 396
Liabilities	
Trade and other payables	(9 623)
Deferred revenue	(2 092)
	(11 715)
Total identifiable net assets at fair value	4 681
Goodwill arising on acquisition	17 621
Intangible asset arising on acquisition	10 072
Deferred tax on intangible asset arising on acquisition	(2 719)
Purchase consideration transferred	29 655

The Responsive Build warranty consideration of R9 762 953 was included as part of the purchase consideration at the date of acquisition. The profit warranty for the 25 month period, 1 March 2021 to 31 March 2023 has been achieved.

The previous shareholders will receive R4 073 425 cash and an allotment of 3 394 520 shares out of treasury shares. 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	4 073
Shares: 3 394 520 at 173 cents per share	5 873
Total	9 946

6. GOODWILL continued

6.2 Acquisition of businesses during the prior year continued

Acquisition of 71% Rethink Digital Solutions

Assets acquired and liabilities assumed:

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

Figures in R'000	Fair value recognised on acquisition
Assets	
Property, plant and equipment	33
Deferred tax asset	74
Trade and other receivables	3 132
Cash and cash equivalents	1 494
	4 733
Liabilities	
Trade and other payables	(1 142)
Taxation payable	(23)
	(1 165)
Total identifiable net assets at fair value	3 568
Non-controlling interest measured at proportionate rate	(1 035)
Goodwill arising on acquisition	14 030
Intangible asset arising on acquisition	2 969
Deferred tax on intangible asset arising on acquisition	(802)
Purchase consideration transferred	18 730

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 profit warranty for the 25 month period, 1 March 2021 to 31 March 2023 has been achieved.

The previous shareholders will receive R2 572 824 cash and an allotment of 2 144 019 shares out of treasury shares. For the purposes of the 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.

6. GOODWILL continued

Figures in R'000	**Fair value recognised on acquisition**
Cash: R2 572 824 at present value	2 573
Shares: 2 144 019 at 173 cents per share	3 709
Total	6 282

Cash flow on acquisition

Figures in R'000	
Acquisition costs (included in cash flows from operating activities)	(2 168)
Net cash acquired with the subsidiary (included in cash flows from investing activities)	4 618
Cash paid (included in cash flows from investing activities)	(13 292)
Net cash flow on acquisition	(10 842)

* The above acquisitions are now finalised and have been completed within 12 months of the original transaction date. During the course of finalising, during the measurement period, customer relationships of R10.0 million and R3.0 million relating to Responsive Build and Rethink Digital respectively, have been transferred between goodwill and intangible assets. This has been retrospectively adjusted in line with IFRS 3. Refer to note 3.

7. INVESTMENTS IN ASSOCIATES

Unlisted investments

7.1 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	2023	2022
54 shares at cost	*	*
Carrying and fair value	*	*

Refer to note 8.1 for further information on GovChat.

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

7. INVESTMENTS IN ASSOCIATES continued

7.2 GroEx Proprietary Limited

Synthesis holds a 15% interest in GroEx Proprietary Limited, a subsidiary of Afgri Group Holdings Limited. GroEx provides digital services to the agricultural sector and provides financial services to commercial farmers and allied entities in the agricultural sector. The principal place of business is in Centurion and the Company is incorporated in South Africa. 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	2023	2022
18 Shares at cost	*	*
Carrying and fair value	*	*

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

7.3 LayUp Technologies Proprietary Limited

The Group holds a 27.4% interest in LayUp. LayUp is a 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	2023	2022
122 517 shares at cost	**6 378**	6 378
Carrying and fair value at beginning of year	**4 842**	5 857
Shares purchased	**–**	170
Share of equity accounted loss in associate	**(2 111)**	(1 185)
Carrying and fair value	**2 731**	4 842

7.4 Regal Digital B.V.

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, for a cash consideration of EUR6 178 (R105 551). The principal place of business is in Amsterdam, Netherlands, and the company is incorporated in the Netherlands.

Figures in R'000	2023	2022
392 shares at cost	**106**	–
Shares purchased	**106**	–
Share of equity accounted loss in associate	**(45)**	–
Carrying and fair value	**61**	–

8. LOANS TO ASSOCIATES

Figures in R'000	2023	2022
GovChat Proprietary Limited	**1**	49 528
LayUp Technologies Proprietary Limited	**12 153**	5 096
Regal Digital B.V.	**9 526**	–
	21 680	54 624
Non-current assets	**12 154**	54 624
Current assets	**9 526**	–
Total	**21 680**	54 624

8.1 GovChat Proprietary Limited

Figures in R'000	2023	2022
Opening balance	**49 528**	19 645
Loan granted during the year	**14 337**	28 794
Accretion of interest	**3 041**	1 089
Expected credit loss raised	**(66 905)**	–
Closing balance	**1**	49 528

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%.

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.

GovChat went into business rescue on 22 December 2022. During February 2023, the Group engaged with the business rescue practitioner to provide post commencement funding to GovChat. Management is in regular communication with the business rescue practitioner and expects that further details of any amount recoverable will be clarified in the period after the reporting date. At year end, the full amount due has been recognised as an expected credit loss.

8. LOANS TO ASSOCIATES continued

8.2 LayUp Technologies Proprietary Limited

Figures in R'000	2023	2022
Opening balance	**5 096**	5 000
Loan granted during the year	**6 267**	–
Accretion of interest	**790**	96
Closing balance	**12 153**	5 096

On 20 October 2021, a convertible loan was granted to LayUp Technologies Proprietary Limited. The loan bears interest at prime. The original 2021 convertible loan was repayable on 20 November 2023, which has now been extended to 20 November 2025.

On 31 May 2023, the Group entered into a new 2023 convertible loan agreement with LayUp, whereby the Group will loan a further R9.2 million, which bears interest at prime and is repayable within 30 months from the date that the first advance is made to LayUp.

Both the 2021 and 2023 loan agreements provide that Capital Appreciation is entitled to convert the capital outstanding, plus any interest accrued thereon, into equity

8.3 Regal Digital B.V.

Figures in R'000	2023	2022
Loan granted during the year	**8 437**	–
Foreign exchange movement	**1 089**	–
Closing balance	**9 526**	–

The Company granted Regal Digital B.V. a long term-loan of EUR493 822 (R9.5 million), which is non-interest-bearing and has no fixed terms of repayment. The loan is mark to market at the foreign exchange rate of EUR1 = R19.29 at 31 March 2023.

9. CASH AND CASH EQUIVALENTS

Figures in R'000	2023	2022
Cash and cash equivalents consist of:		
Bank balances	**97 102**	78 456
Bank call and notice deposits	**397 754**	454 968
	494 856	533 424

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 2023

10. SHARE CAPITAL

Figures in R'000	2023	2022
Ordinary shares of no par value	**1 014 728**	1 008 639

Number of shares	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**	1 310 000 000
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)	**(77 096 541)**	(80 911 595)
Ordinary shares of no par value, net of treasury shares at the end of the year	**1 232 903 459**	1 229 088 405
Reconciliation of movement of issued ordinary shares		
Ordinary shares, net of treasury shares at the beginning of the year	**1 229 088 405**	1 230 008 865
Ordinary shares of no par value repurchased during the year (treasury shares)	**(200 000)**	(13 377 540)
Ordinary shares of no par value sold during the year from treasury shares to settle share options	**4 015 054**	1 380 000
Ordinary shares of no par value allotted during the year from treasury shares for settlement of acquisitions	**-**	11 077 080
Number of issued ordinary shares, net of treasury shares at end of the year	**1 232 903 459**	1 229 088 405

11. CONTINGENT CONSIDERATION

Figures in R'000	2023	2022
Cash (present valued)	**6 646**	6 370
Responsive Build	**4 073**	3 904
Rethink Digital Solutions	**2 573**	2 466
Shares	**9 582**	9 582
Responsive Build	**5 873**	5 873
Rethink Digital Solutions	**3 709**	3 709
Total	**16 228**	15 952

The Responsive Build and Rethink Digital Solutions profit warranties consideration has been included as part of the purchase consideration. In aggregate Responsive Build and Rethink Digital Solutions have achieved their profit warranties and 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 profit warranties was for 25 months from 1 March 2021 to 31 March 2023. The payment of cash and allotment of shares will be completed by 31 July 2023.

Notes to the Group financial statements continued
For the year ended 31 March 2023

12. OPERATING PROFIT

Figures in R'000	2023	2022
The following items are charged within operating profit:		
Foreign exchange loss	**-**	2 879
Advertising and marketing expenses	**6 908**	2 639
Audit fees	**3 262**	2 375
Internal audit fees	**997**	979
International segment operating expenses	**7 728**	2 105
Employee costs relating to operating expenses	**152 588**	117 066
Employee costs	**310 580**	228 419
Employee costs reallocated to cost of sales	**(157 992)**	(111 353)
Share-based payment expense	**15 987**	12 015
Depreciation: property, plant and equipment	**14 099**	10 072
Depreciation: right-of-use assets	**7 808**	8 095
Amortisation of intangibles	**23 005**	22 783
Transformation costs	**3 320**	6 279
Acquisition costs	**3 015**	2 168
Legal fees	**6 022**	992
Loss on disposals of property, plant and equipment and intangibles	**791**	651
Executive directors emoluments	**15 619**	9 586
Non-executive directors emoluments	**2 676**	1 564

13. CASH GENERATED FROM OPERATIONS

Figures in R'000	2023	2022
Profit before taxation	**156 235**	232 700
Adjustments for:		
Share-based payment expense	**12 897**	10 529
Depreciation: property, plant and equipment	**14 099**	10 072
Depreciation: right-of-use assets	**7 808**	8 095
Amortisation of intangibles	**23 005**	22 783
Finance income	**(36 943)**	(23 227)
Finance costs	**724**	1 158
Equity accounted loss in associates	**2 156**	1 185
Unrealised foreign exchange (profit)/loss	**(2 248)**	119
Loss on disposals of property, plant and equipment and intangibles	**791**	651
Expected credit loss	**70 785**	–
Changes in working capital		
(Increase)/decrease in inventory	**(34 828)**	4 837
Increase in trade and other receivables	**(74 892)**	(66 244)
Increase in trade and other payables	**40 484**	4 105
Increase/(decrease) in deferred revenue	**3 424**	(1 969)
Increase in foreign taxation receivable	**(315)**	(503)
	183 182	204 291

14. TAXATION

Figures in R'000	2023	2022
Major components of the tax expense		
Current		
Local income tax current year	**63 307**	55 645
Local income tax prior year	**–**	(4)
Deferred		
Originating and reversing temporary differences	**850**	(462)
Originating and reversing temporary differences on assessed tax loss	**167**	13 660
Originating and reversing temporary differences prior year	**–**	570
South African normal tax	**64 324**	69 409

	%	%
Reconciliation of rate of taxation		
South African normal tax	**27.0**	28.0
Adjusted for:		
– Permanent differences*	**14.0**	0.9
– Prior year over provision	**–**	0.2
– Change in tax rate	**–**	(0.1)
– Timing differences on assessed tax loss	**–**	0.5
– Foreign withholding tax	**0.2**	0.3
Effective tax rate	**41.2**	29.8

* *Includes non-deductible expenses relating to share-based payments, acquisition costs, expected credit loss raised on loan to associate as well as Section 12H allowances and Section 11(d) allowances.*

15. CONTINGENT LIABILITIES

The Group has no contingent liabilities at year end, other than the Rozendal pending settlement, detailed below:

A general meeting of shareholders was held on 27 August 2019 where 97.77% of shareholders voted in favour of repurchasing 245 million shares from the relevant persons in terms of a circular posted to shareholders on 29 July 2019. One shareholder, First National Nominees Proprietary Limited and Nedbank Limited, on behalf of Rozendal Partners Proprietary Limited (Rozendal), who held 18 234 829 shares voted against the shareholders resolution and exercised their share appraisal rights in terms of the circular issued to shareholders. A dispute arose between the Company and Rozendal, which went to the Supreme Court upon which a judgement was made by the court requiring the Company to repurchase Rozendal's shares at a price to be determined by a valuation of an independent expert appointed by the court. The independent expert has determined that the Company must repurchase Rozendal's shares at a price of R1.06 per share, which will amount to R19 328 919. The repurchased shares will be held in treasury shares. The costs relating to the matter amounted to R2 368 027 have been expensed in the 2023 financial results. It is anticipated that the court will finalise the matter by the end of July 2023.

16. 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.

16. FAIR VALUE continued

Figures in R'000	2023	Level 1	Level 2	Level 3
Financial instrument Foreign exchange forward contracts	**(619)**	**–**	**(619)**	**–**
	2022	Level 1	Level 2	Level 3
Financial instrument Foreign exchange forward contracts	(1 794)	–	(1 794)	–

17. DIVIDENDS

A final dividend for the year ended 31 March 2022 of 3.75 cents per ordinary share was declared on 2 June 2022 amounting to R49.1 million. An interim dividend for the year ended 31 March 2023 of 4.25 cents per ordinary share was declared on 29 November 2022 amounting to R55.7 million. The total dividends paid during the year amounted to R104.8 million (2022: R88.4 million).

18. GOING CONCERN

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

19. POST-YEAR-END EVENTS

19.1 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 2023, to the date of this report.

19.2 Acquisition of Dariel Solutions Proprietary Limited

The Group issued a SENS announcement on 24 April 2023, advising shareholders that sale agreements have been concluded with Malcolm Rabson, Gregory Vercellotti and Wayne Yan, the founders and directors of Dariel Solutions Proprietary Limited (Dariel) to acquire 100% of Dariel for a total consideration of R131.2 million, to be settled by a combination of cash and an allotment of ordinary shares out of treasury shares (the acquisition). Dariel is the holding company of Dariel Software Proprietary Limited (Dariel Software).

Dariel provides a variety of software engineering/developments and related activities, with a strong focus on software to financial institutions and others in the financial services and "Fintech" sectors.

19. POST-YEAR-END EVENTS CONTINUED

19.2 Acquisition of Dariel Solutions Proprietary Limited continued

The Acquisition of Dariel is subject to the fulfillment of certain suspensive conditions, which include:

- The approval required by the Competition Act for the implementation of the Sale Agreements.
- The Company advising Dariel in writing that it is satisfied with the results of the Due Diligence.
- No material adverse change arises or occurs between the signature date of the Sale Agreements and the date upon which all the Suspensive Conditions are fulfilled.

The Group will acquire 100% of Dariel for an initial aggregate purchase consideration of R85.3 million to be settled by way of (i) a cash payment of R46.9 million and (ii) the allotment out of treasury shares of 25 243 779 shares at R1.52 per share amounting to R38.4 million

Dariel has also provided the Group with a profit warranty of R62.2 million EBITDA for the 24–month period (a CAGR of 20%), 1 April 2023 to 31 March 2025, that, if achieved, will result in an aggregate warranty purchase consideration, which should not exceed R45.9 million. This profit warranty consideration will be settled by way of (i) cash payment of R25.2 million and (ii) allotment out of treasury shares of 13 592 804 shares.

The value of the net assets of Dariel was R39.2 million at 31 March 2022, being the date of the last independent reviewed annual financial statements, which were prepared in terms of International Financial Reporting Standards for Small and Medium-sized Entities. For the year ended 31 March 2023, the value of the net assets of Dariel, based on unaudited management accounts provided by the Sellers, was R47.8 million.

The EBITDA as per the unaudited management accounts and profits after tax attributable to the net assets ("PAT") for the year ended 31 March 2023, were R23.8 million and R16.2 million respectively.

The founders and directors of Dariel will remain with the business and have entered into long-term executive employment agreement with Dariel Software.

19. POST-YEAR-END EVENTS CONTINUED

19.3 LayUp Technologies Proprietary Limited

On 20 October 2021, a convertible loan was granted to LayUp Technologies Proprietary Limited. The loan bears interest at prime. The original 2021 convertible loan was repayable on 20 November 2023, which has now been extended to 20 November 2025.

On 31 May 2023, the Group entered into a new 2023 convertible loan agreement with LayUp, whereby the Group will loan a further R9.2 million, which bears interest at prime and is repayable within 30 months from the date that the first advance is made to LayUp.

Both the 2021 and 2023 loan agreements provide that Capital Appreciation is entitled to convert the capital outstanding, plus any interest accrued thereon, into equity

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

Corporate information

Country of incorporation and domicile
Republic of South Africa

Registration number: 2014/253277/06
ISIN: ZAE000208245
JSE share code: CTA
A2X share code: CTAJ
FTSE Industrial Classification sector:
Software and Computer Services

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BJ Sacks* (Chief Executive),
AC Salomon* (Chief Financial Officer),
MB Shapiro*,
B Bulo#,
KD Dlamini# (Lead independent director),
EM Kruger#,
RT Maqache#,
VM Sekese#,
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