



Capital Appreciation Limited
Incorporated in the Republic of South Africa
(Registration number 2014/253277/06)
Share code: CTA ISIN: ZAE000208245
(the “Group”)

TRADING STATEMENT FOR THE YEAR ENDED 31 MARCH 2023

In terms of paragraph 3.4 (b) of the Listings Requirements of JSE Limited, a listed company is required to publish a trading statement as soon as it is satisfied that a reasonable degree of certainty exists that any of its financial results for the period to be reported on next, will differ by at least 20% from those of the previous corresponding period.

Shareholders are reminded about the expected credit loss provision related to the GovChat loan noted in the Group’s trading statement, dated 25 November 2022 and interim results announcement on 29 November 2022. In December 2022, Capital Appreciation made an application to the Cape Town High Court for GovChat to be placed in Business Rescue and committed to providing the Business Rescue Practitioner with a post-commencement funding facility for GovChat to the end of May 2023. The Business Rescue Practitioner is managing GovChat as a going concern and various alternatives for the company are being explored.

Capital Appreciation is in the process of finalising its annual results for the year ended 31 March 2023. In finalising the results, the Board has considered its position in relation to its associate, GovChat Proprietary Limited (GovChat). The Group has resolved to adopt a conservative approach by raising an expected credit loss provision of R70.8 million (pre and post taxation) for GovChat.

Shareholders are further advised that, while Group Revenue for the year ended 31 March 2023 has shown strong growth, exceeding 19%, the Group has incurred and expensed substantial budgeted costs in growth and new business initiatives while the economic benefits of such costs will only accrue in the 2024 financial year and future years.

As a result, the Group’s Headline Earnings Per Share (“HEPS”) for the year ended 31 March 2023 are not materially affected by the non-cash expected credit loss provision and will be between 2.0% and 1.0% lower than than the prior year and will be between 13.13 cents and 13.27 cents, when compared to the reported HEPS of 13.40 cents for the reporting period ended 31 March 2022.

The Group's basic Earnings Per Share ("EPS") for the year ended 31 March 2023 will be lower than the corresponding period by between 45.5% and 44.0% and will be between 7.29 cents and 7.49 cents, when compared to the reported EPS of 13.37 cents for the reporting period ended 31 March 2022.

The non-cash expected credit loss provision has had no material impact on the Group's cash resources and net asset value per share.

Notwithstanding the expected credit loss provision, CTA's loan continues to be secured by the shares in GovChat and GovChat's intellectual property rights, including the platform's software.

The financial information on which this trading statement is based has not been reviewed or reported on by the external auditors of the Group.

The Group's audited financial results for the year ended 31 March 2023 will be released on SENS on 6 June 2023.

Johannesburg

31 May 2023

Sponsor: Investec Bank Limited