

CAPITAL APPRECIATION LIMITED

INTEGRATED ANNUAL REPORT, 18

for the year ended
31 March 2018



Basis of PREPARATION

INTRODUCTION

Capital Appreciation Limited (“Capital Appreciation” or “the Company” or “the Group” or “CAPPREC”) is pleased to present shareholders with the 2018 Integrated Annual Report.

CONTENT SELECTION

The information in this report has been assembled to provide stakeholders with an overview of our business model, the Group’s performance, governance practices, strategy, as well as business risks and opportunities. The selection of issues covered in this report has been informed by inputs from our stakeholders, including capital providers and regulators, and further refined through engagement with the executive management and the Board of Directors.

SCOPE AND BOUNDARY

The report covers all of the operations of Capital Appreciation for the year ended 31 March 2018. There have been significant changes in the scope and boundary of this report compared to the 2017 report. During the year, Capital Appreciation acquired a range of businesses, which triggered its move from being a Special Purpose Acquisition Company (“SPAC”), listed in the Non-Equity Investment Instrument sector of the JSE, to a listed company on the Main Board of the JSE, listed under the Software and Computer Services sector.

Accordingly, readers should note that there have been notable changes in the nature of the Company’s business, including its shareholder base during the current reporting period. The “viable asset” acquisitions had a material impact on all aspects of the Group, including its financial statements.

There has been no material restatement of information provided in earlier reports.

FRAMEWORKS AND ASSURANCE

The information included in the Integrated Annual Report has been provided in accordance with the International Financial Reporting Standards (“IFRS”), JSE Listings Requirements, International Integrated Reporting Council’s (IIRC) framework (“the Framework”) and The King Code of Corporate Governance (King IV).

No external assurance has been sought, other than for the Annual Financial Statements.

In evaluating the Group’s financial performance, it should be noted that the consolidated financial results reflect 12 months of net investment income earned for the year ended 31 March 2018, but only 11 months of trading performance for the acquired businesses, given that the “viable asset” acquisitions were approved in May 2017.

FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements with respect to Capital Appreciation’s future performance and prospects. While these statements represent our judgements and future expectations, several factors may cause actual results to differ materially from our expectations.

0 For further information, please visit www.capitalappreciation.co.za

APPROVAL OF THE INTEGRATED ANNUAL REPORT

The Board of Directors of Capital Appreciation (“the Board”) acknowledges its responsibility to ensure the integrity of this report and confirms that this Integrated Annual Report addresses all material matters and provides a balanced overview of the Group and its prospects. The Board has approved the 2018 Integrated Annual Report for publication.

On behalf of the Board

Michael Sacks
Chairman

Michael Pimstein & Bradley Sacks
Joint Chief Executive Officers

Alan Salomon
Chief Financial Officer

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HOW TO NAVIGATE OUR REPORT



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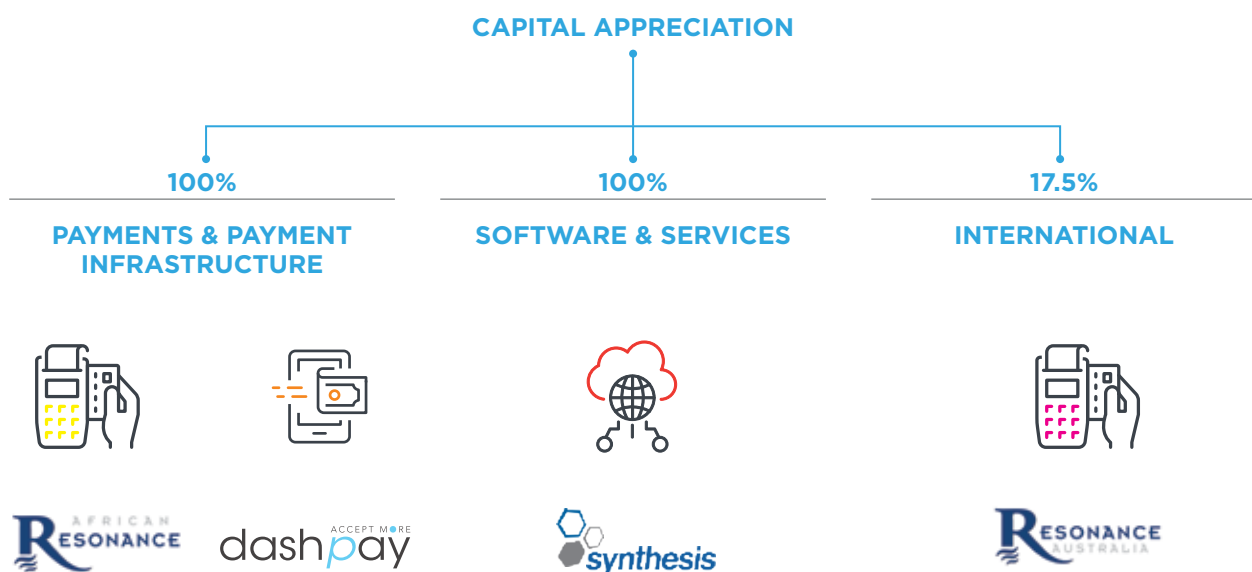
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www.capitalappreciation.co.za

What Capital Appreciation is ALL ABOUT

Capital Appreciation (CAPPREC) owns, manages, invests in, and promotes established and developing financial technology (“FinTech”) enterprises, their platforms, solutions, products and applications. CAPPREC presently has two divisions – “Payments & Payment Infrastructure” and “Software & Services”

OUR VISION

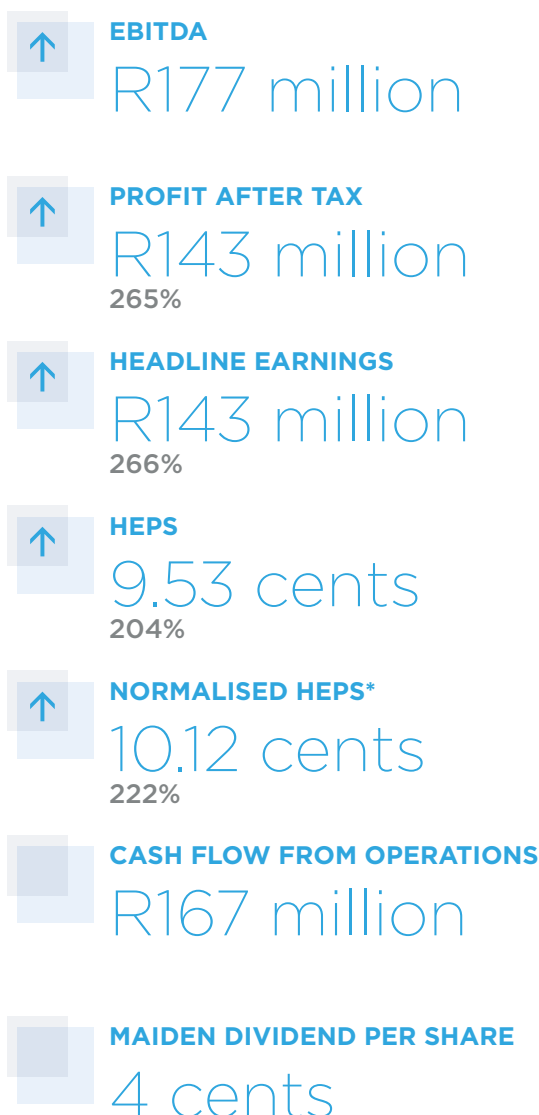
Capital Appreciation is focused on investing in, growing and promoting businesses that deliver compelling and innovative services and solutions to our financial institution and other clients, allowing them to respond to disruptions, develop and introduce new products, deliver value to their customers, improve efficiency control and eliminate unnecessary operating costs. This objective is always dictated by sound commercial judgement and good corporate governance.



The Payments & Payment Infrastructure businesses presently innovate, develop, manage and promote payment products and payment infrastructure solutions for established and emerging institutional clients and other organisations that need to receive or make payments. The Software & Services business addresses the complex technology needs of financial institutions.

We provide a platform for growth

Business HIGHLIGHTS



*Refer to Chief Financial Officer's review on page 22.

OUR CLIENTS

- South Africa's leading banking institutions
- Leading insurance companies
- Other international financial services companies

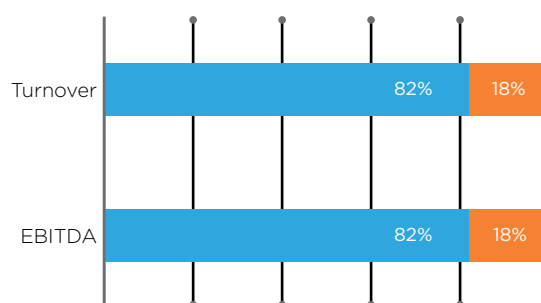
SIGNIFICANT PARTNERS



- Completed and bedded down **three acquisitions** and one international investment
- Transferred to “**Software and Computer Services**” sector on the Main Board of the JSE
- **Excellent results** achieved by acquired companies
- **Expanded client relationships** in all sectors
- Solidified **pipeline** through **FY2019**
- **Increased** talent pool
- Significantly **increased group BEE spend**
- Continued innovation with **new technologies**

R513 million cash available for reinvestment in organic growth, as well as further acquisitions

DIVISIONAL CONTRIBUTION (EXCLUDING CORPORATE) FY2018



- Payments & Payment Infrastructure
- Software & Services

Our HISTORY

2018

MARCH 2018

Capital Appreciation announced its first set of annual results which incorporates 11 months of financial performance of the acquired entities – generating R508 million in turnover and R177 million in EBITDA.

2017

MAY 2017

Capital Appreciation acquired 100% of African Resonance, Dashpay and Synthesis Software Technologies, as well as a 17.45% interest in Resonance Australia and migrated to the Software and Computer Services sector on the JSE.

2015

OCTOBER 2015

Capital Appreciation listed as a Special Purpose Acquisition Company on the Main Board of the JSE and raised R1 billion through a private placement of shares.

Why FinTech

FinTech is a classification used to describe innovative and transformative technology solutions presently disrupting traditional banking and financial services.

These interventions are extremely evident in the payment sector, affecting, *inter alia*, relationships between financial institutions and their consumer clients, financial institutions and their corporate retailer clients, retailers and their consumer customers and among consumers themselves.

There are also increasing demands and requirements for financial institutions to enhance regulatory compliance reporting while simultaneously reducing their costs of delivery.

These are huge market influences, the consequences of which are materially impacting the economy as a whole. These features of influence are expected to intensify and the changes they precipitate are expected to continue, if not accelerate.

Traditional financial and banking institutions are actively embracing the idea of FinTech, recognising that FinTech not only presents an opportunity to improve efficiency, reduce cost, enhance customer experience and drive revenue, but helps respond to or even anticipate, the digital innovations that change their customers' needs and behaviour.

OUR CRITERIA FOR INVESTMENT INTO FINTECH

In our desire for value creation. Capital Appreciation focuses on several attractive and differentiating attributes:

- innovative technology related to financial services
- business models or technology already past the adoption curve
- significant growth potential
- not in the end-consumer market – but more for the needs of our institutional clients
- synergistic opportunities with existing investments
- can easily transcend national and intercontinental borders

The financial services sector is experiencing unprecedented change due to increasing market regulation, evolving consumer expectations and accelerating disruption to historic value chains. Much of this change is attributable to inventive technologies and the innovative application of such technology, not only in the financial services sector but in all areas of the economy. These factors, and their material influence on the financial services sector, formed the principal rationale for CAPPREC's decision to invest in the FinTech sector

Our business MODEL

Inputs

Human Capital – the people we employ
Manufactured Capital – our platforms and proprietary applications
Financial Capital – equity and funding from our shareholders and debt providers
Intellectual Capital – our brands, experience and know-how, as well as our proprietary technology and licences
Social and Relationship Capital – our communities, clients and suppliers

Activities

Capital Appreciation

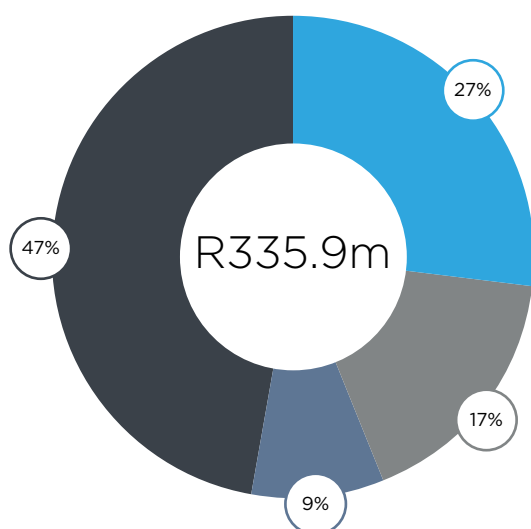
- discovers, invests in, manages and partners with emerging and established FinTech enterprises
- utilises financial capital, strong networks and established relationships to promote our subsidiaries

Subsidiaries

- Operate and manage payment and processing infrastructure, networks and systems
- Consult, advise, develop applications, implement systems and empower clients

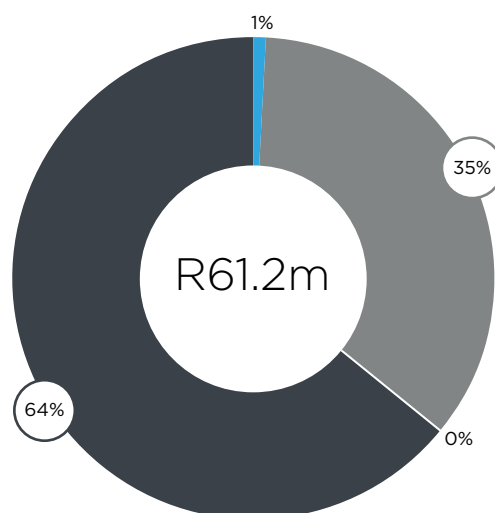
VALUE ADDED BY CAPPREC

2018



● Employees
● Governments

2017



● Providers of capital
● Retained for growth

Outputs

Capital Appreciation

A portfolio of high growth, high performing subsidiaries that provide comprehensive client solutions and generate strong shareholder value

Subsidiaries

- Delivering innovative and bespoke highly efficient and secure payment related networks and solutions
- Delivering products and services that are targeted at mission-critical applications

Outcomes

Well-established FinTech subsidiaries

Clients empowered to compete effectively by catering for customers' emerging needs

Well-trained, challenged, incentivised and motivated employees with high levels of job satisfaction

Strong returns for shareholders

Increased development and employment in our communities

VALUE ADDED

Capital Appreciation is regarded as a valued partner by our subsidiaries and clients:

Providing clients with:

- infrastructure and services
- a combined FinTech entity that is stronger financially than the individual subsidiaries
- empowering clients to do what they do – better and cost effectively

Providing our subsidiaries with:

- the balance sheet and financial resources to scale up their operations
- as a larger Company, more mission critical work and more significant projects
- strong network and relationships to gain access to prospective clients
- financial security for staff and the opportunity to offer a share incentive scheme
- a commonality of clients across subsidiaries, which provides subsidiaries with additional credibility for new projects

Providing future acquisitions with:

- well-established relationships with major financial institutions which are difficult to replicate
- financial resources to build their businesses

Assisting society to transform through:

- job creation, internships, training and development
- social responsibility projects
- providing the means for financial inclusion
- enterprise development
- contributions to taxes and levies

Shareholder INFORMATION

CAPPREC SHARE PRICE

1 April 2017 to 30 June 2018



DIVIDENDS DECLARED

Interim **2 cents** per share

Final **2 cents** per share

4c

LISTING INFORMATION

ISIN ZAE000208245
JSE share code CTA
JSE Sector Software and
 Computer Services

FINANCIAL YEAR END

31 March

STOCK EXCHANGE PERFORMANCE

	30 June 2018 15 months	31 March 2018 12 months	31 March 2017 12 months
Share price			
- lowest (cents)	63	63	82
- highest (cents)	102	88	100
- at period-end (cents)	100	80	87
Volume traded (millions)	327	241	133
Value traded (R millions)	260	180	123
No of shares in issue ('000)	1 555	1 555	1 250
No of shares traded (%)	21%	15%	11%
PE ratio at period-end (times)	10.49	8.39	27.70
Market capitalisation (R billions)	1.56	1.24	1.09

SHAREHOLDERS' DIARY

2018 Full Year results release date	16 May 2018
2018 Annual General Meeting	31 August 2018
2019 Interim results release date	28 November 2018

SHAREHOLDER SPREAD

Range	Number of shareholdings	Number of shares	% of shares
1-999 Shares	196	54 954	0.01
1 000-9 999 Shares	325	1 344 535	0.09
10 000-99 999 Shares	666	22 599 938	1.45
100 000-999 999 Shares	387	93 794 641	6.03
1 000 000 Shares and over	105	1 437 205 932	92.42
Total	1 679	1 555 000 000	100.00

SHAREHOLDER TYPE

Public Shareholders	1 664	652 064 732	41.93
Non - Public Shareholders	15	902 935 268	58.07
Directors of the Company	11	439 264 167	28.25
CAET Holdings Proprietary Limited	1	75 000 000	4.82
Treasury Shares	2	55 337 768	3.56
Strategic Holdings – Public Investment Corporation	1	333 333 333	21.44
Total	1 679	1 555 000 000	100.00

Empowerment shareholders	Number of shares	% of shares in issue
Public Investment Corporation	333 333 333	21.44
CAET Holdings Proprietary Limited	75 000 000	4.82
African Rainbow Capital Proprietary Limited	50 000 000	3.22
AKA Capital Holdings Proprietary Limited	25 000 000	1.61
K4 Investments	25 000 000	1.61
Afrocentric Empowerment Trust	20 125 601	1.29
Capital Appreciation 67 Entrepreneurial Scheme	6 700 000	0.43
Other	75 939 983	4.87
Total	611 098 917	39.29



Capital Appreciation's INVESTMENT CASE

- A **strong network of relationships** on which to build future business
- A **trusted partner** to large, well-capitalised and established financial institutions
- Well-positioned in an industry experiencing **rapid growth**
- Products and services targeted at **mission-critical applications**
- Clients already have a presence in Africa - providing the potential for CAPPREC to expand regionally with them
- Well-established FinTech subsidiaries with **strong financial performance** that are **highly cash generative**
- Track record for **innovation and quality execution**
- A **strong balance sheet** with adequate headroom for organic and acquisitive growth
- Highly **entrepreneurial management** teams supported by a lean corporate office
- **Loyal, competent and disciplined** operational management

Economic TRANSFORMATION

Capital Appreciation has a strong commitment to contribute to the socio-economic prosperity of the communities within which we operate.

We regard B-BBEE as a vital component of the broader transformation imperative in South Africa. Our initiatives in promoting B-BBEE are broadly aligned to the following principles:

OWNERSHIP

Capital Appreciation has been focused on Black economic empowerment through ownership from its founding days. The profile of its founding shareholders reflects this focus. These include:

- **The Public Investment Corporation (PIC)** The PIC is one of the largest investment managers in Africa today. The PIC holds 333.3 million or 21.44% of the issued shares in Capital Appreciation which, as of 30 June 2018, was valued at R333.3 million.
- **Capital Appreciation Empowerment Trust (CAET)** CAET is a trust specifically created for the recognition and benefit of black individuals and other historically disadvantaged South Africans. CAET is independently funded through a preference share structure and holds 75 million or 4.82% of the issued shares in Capital Appreciation which, as of 30 June 2018 was valued at R75.0 million.
- **Capital Appreciation 67 Entrepreneurial Scheme** As part of the Company's commitment to black economic empowerment, the Company and the Student Support Programme ("SSP"), a non-profit trust, have created the Capital Appreciation 67 Entrepreneurial Scheme (the "Capital Appreciation 67 Scheme"). The motivation behind the Capital Appreciation 67 Scheme is to recognise the achievements of SSP's alumni for their academic excellence by creating an entrepreneurial fund which will be used to fund business ventures to be started and operated by SSP alumni. The Capital Appreciation 67 Scheme holds 6.7 million shares, the purchase of which was financed by ABSA Capital with an interest free, non-recourse loan, repayable in five years.

Capital Appreciation is proud to also have many other B-BBEE shareholders. In total, identifiable empowerment shareholders hold approximately 611 million shares or 39.29% of the Company, with Black women ownership at 10.16%.

In addition, we have recently introduced an employee share incentive scheme within our subsidiaries which will promote further economic transformation to the lives of our employees and their families.

Capital Appreciation has a proud heritage with a B-BBEE shareholding representing economic interests of 32.87% and voting rights of 39.29%

SKILLS DEVELOPMENT

The subsidiaries operate in an industry that demands strong technical and interpersonal skills to flourish and we continue to evaluate our training and development programmes to ensure that we remain at the forefront of the skills race. There is a strong emphasis on continuous learning and we offer our employees a broad range of development opportunities, ranging from bursaries for tertiary education and Amazon Web Services (AWS) or secure software development certifications, to on-the-job learning, online or self-learning training courses, as well as internal technical training sessions.

B-BBEE CERTIFICATION

Our subsidiaries have obtained separate and independent B-BBEE certifications for their respective businesses.

African Resonance, Capital Appreciation's largest subsidiary, has a proud history of active participation in transformation, as demonstrated by the Level 2 contributor-rating the Company maintained for many years under the Information and Communication Technology sector codes. In July 2017 the Company was rated a Level 4 contributor under the newly amended BEE ICT Sector Code. Strong improvements in critical areas during the reporting period will assist in an improved status in the new rating currently under review.

Synthesis' strong focus and commitment to economic transformation was recognised in its recently adjudicated rating as a Level 3 contributor, with procurement afforded 110% recognition.

Dashpay is currently a Level 7 contributor as at 31 March 2018. The Company is still in its formative stages of development and will seek to enhance this rating as the company matures.

Total Group expenditure on B-BBEE initiatives this financial year amounted to R11.8 million which represents approximately 7% of operating profit.

Economic TRANSFORMATION continued

ENTERPRISE AND SUPPLIER DEVELOPMENT

Our subsidiaries have identified and are in business relationships with a range of emerging Black-owned enterprises and preferential procurement processes continue to receive emphasis. Special internal payment arrangements have been made to support these companies, ranging from advance payments to enable them to order stock, to rapid settlement of invoices, particularly in micro-enterprises. The support also includes offering interest free loans, skills transfer, working space and other resources that small and medium-sized enterprises ("SMEs") require to build sustainable businesses.

MANAGEMENT DIVERSITY

Individual subsidiaries maintain a strong focus on developing the leaders of tomorrow, in the sure knowledge that diversity among management and employees fosters innovation and new ways of looking at how we go about our business. A strong contingent of talented employees has been identified as future leaders and have been enrolled in accelerated leadership development programmes. We also utilise mentorship and coaching to strengthen the skills, attitudes and competencies of our staff.

SOCIAL INVESTMENT

Tackling the challenge of unemployment is a key focus area, with specific emphasis on youth. This is addressed through learnerships in both African Resonance and Synthesis, with the ultimate aim of providing unemployed and disabled black youth with a marketable skill set and, where possible, the absorption of some of the individuals into our businesses.

Twelve-month learnerships are targeted at all levels and range from proficiency training to NQF Level 3 in End User Computing. Bursaries have been awarded to the most promising learners to further their studies beyond the initial sponsored qualification. These initiatives also serve to provide a pipeline of promising youth to employ as the companies continue to grow and prosper.

JOB CREATION

	2018	2017	New jobs created
CAPPREC	222	139	83
African Resonance	101	67	34
Synthesis	97	56	41
Dashpay	17	9	8
Corporate	7	7	0



Synthesis

GIVES OPPORTUNITIES TO UNEMPLOYED YOUTH



Youth unemployment has increased at an alarming rate over the last few years, with youth finding it difficult to adapt to the work environment, to bridge the gap between being a student and being able to cope in the corporate world. Many also have limited skills on how to effectively operate a computer which poses an additional challenge, given that most jobs require a candidate to be computer proficient.

Teboho Kabai, a 21-year-old Rosettenville resident, didn't let these challenges prevent her from getting a job. After completing her matric in 2015 she began job hunting and heard through a friend about Afrika Tikun's ReadytoWork programme. ReadytoWork, which is run in partnership with training provider Unlock'D and co-sponsored by Synthesis, empowers youth with basic computing and work-readiness skills to aid in access to career opportunities.

Teboho was sponsored through Synthesis' learnership programme. She successfully completed 12 months of intensive theory and practical training and a five-month internship at GlaxoSmithKline. On 30 April, Teboho graduated with an NQF Level 3 in End User Computing, accredited by the Media Information and Communication Technologies Sector Education and Training Authority (MICT SETA), and is now permanently employed as a personal assistant to the senior manager in the operations and business services department at Unlock'D.

Teboho says that her proudest accomplishment in life is completing the learnership programme and gaining employment. She attributes her success to her late father who taught her to persevere and to grab onto opportunities. Teboho's immediate plans are to gain valuable experience in her new job and to work her way up into a senior position. She plans to further her studies by enrolling in a project-management course at a tertiary institution.

Chairman's report

INTRODUCTION

It is my pleasure to be able to communicate with shareholders and other interested readers of this report regarding the activities and performance of the Capital Appreciation group for the year ended 31 March 2018. Shareholders and investors that have been tracking CAPPREC since its initial capital raising in October 2015, will surely conclude that the 2018 financial year has been a profoundly transformative period for the Group. Not only were the first viable asset acquisitions concluded and effectively integrated into the Group but, more importantly, each of the acquisitions have successfully fulfilled their commencing expectations, as evidenced by our positive 2018 financial results, more fully reported on in the financial section of this Integrated Annual Report. Having regard to the nature of the operating businesses acquired, our Main Board listing on the JSE was transferred to the Software and Computer Services sector.

OPERATING ENVIRONMENT

Shareholders and investors will be more than mindful of the general economic challenges and political uncertainties that faced South Africa during this past year, exacerbated by low economic growth and rising unemployment. The nature of these challenges, not unexpectedly, had an impact on disposable incomes and generally weighed heavily on the national retail sector. Our Payments & Payment Infrastructure business is directly impacted by our banking clients' exposure to the retail sector, who, in the circumstances, as with other commercial sector enterprises, adopted a more judicious approach to expansion in general and/or greater capital expenditure.

Notwithstanding the growing movement towards digitization and other exciting technology advances, this caution was similarly evident in our Software & Services business, even where cost-saving digitization initiatives are of necessity becoming more urgent. Testing economic conditions and budgetary constraints during the past year, certainly moderated the extent of these progressive initiatives.

However, despite these patterns of caution and control, our subsidiaries successfully managed to expand the scope of their businesses with existing clients, given their well-established track records for quality and efficient services, have also been able to attract several new clients into their portfolios. This collectively enhanced and contributed to the Group's robust growth for the period under review.

The recent political leadership changes and the constructive economic market sentiment evolving since the beginning of 2018, suggests a more positive outlook going forward, these being circumstances under which our subsidiaries are likely to make good progress.

We consider the 2018 financial year to have been a profoundly transformative period for Capital Appreciation



TRANSFORMATION AND ECONOMIC EMPOWERMENT

During this first period of operations, apart from the Group's sizeable black ownership, the Group spent approximately 7% of operating profit with B-BBEE service providers and will endeavour to improve all of the empowerment characteristics through the next review process.

A SIGNIFICANT AND GROWING TALENT POOL

CAPPREC and its subsidiaries operate in a specialised sector that requires exceptional skills and experience. Our subsidiaries invest significant effort and expense in ensuring that such skills are developed and maintained by providing training, opportunities for accreditation, as well as higher education bursaries. This year our divisions funded a number of scholarships, bursaries and social-economic development initiatives and awarded achievement certificates to youth from disadvantaged communities, who successfully completed the learnership programmes.

Synthesis, as an Advanced Consulting Partner of Amazon Web Services (AWS), is leading the way in South Africa with more than 65 AWS certifications amongst its team. The next goal is to achieve the status of "Premier Partner", the highest tier of Amazon partnership status.

As a listed entity, CAPPREC's powerful profile, its relationships and professional reputation are compelling features for attracting specialist skills, including young talent that seek to take advantage of the training opportunities within the Group and a career in the technology sector.

CHANGES TO THE BOARD OF DIRECTORS

Professor Hanoch Neishlos, the founder of African Resonance, was appointed to the Capital Appreciation Board on 10 November 2017. No other changes took place prior to 31 March 2018. On 9 May 2018, four new director appointments were announced, those being Mr. Kuseni Dlamini, Mr. Errol Kruger, Ms. Mathukana Mokoka and Mr. Eitan Neishlos. Simultaneously, Dr. Dan Matjila resigned as a director. We welcome our new appointees to the Board and take this opportunity, once again, to express our sincere thanks to Dr. Matjila for his valuable contribution and guidance during his term in office.

DIVIDENDS

The Group declared dividends of 4 cents per ordinary share for the year. There is as yet no Group dividend policy, but the Board will consider both interim and final dividends each reporting period, based on

The substantial B-BBEE structures and components that were created when CAPPREC was constituted, remain in place and improving the group's B-BBEE status continues to be a priority feature of our Board deliberations

earnings performance, liquidity and any Group resources that may be required for further growth, expansion or acquisitions that may present themselves for consideration from time to time.

PROSPECTS

No-one can deny that new and innovative technologies continue to impact our daily lives and it seems that new tools, new system and software design, new communicative devices and other inventive applications, will continue to transform and impact today's traditional human and commercial behaviour. CAPPREC, with its inspired, creative and innovative executive teams, will continue to develop new and effective services, solutions, systems, products and applications, in association with our existing and future institutional clients, to meet the demands of their customers. This would include parties seeking efficient and affordable models for financial inclusion of persons previously unserved or ill-served. The Group is continually called to evaluate new projects, payment and reward systems and we take comfort that the differentiated capabilities of our subsidiaries are being recognised by their principal clients. The Group is well positioned to respond to the growing market call to provide these cost-efficient system solutions.

APPRECIATION

In conclusion I would like to extend my sincere thanks to our Board of Directors for their wisdom and guidance during the year, not least my appreciation to the executives and staff of African Resonance, Dashpay, Synthesis and Resonance Australia for their hard work, dedication and commitment over what has been an exciting and eventful year.



Michael (Motty) Sacks
Chairman

Joint chief executives' review



It is our pleasure to report on what has been a phenomenally busy year, which has delivered operating results and other moments of which we are exceptionally proud

INTRODUCTION

Over the past year we have completed and bedded down three acquisitions and one international investment. Our annual results for the period ended 31 March 2018 were released in May 2018 and this was the first time that we were able to furnish investors with a comprehensive view of the performance of the operating subsidiaries we acquired on 5 May 2017. It was also the first time that shareholders were able to properly evaluate the acquisition prices that were paid for the businesses acquired and compare that against the actual financial profit contributions of each business segment. We are delighted to share financial results that reveal both solid trading performance and the appropriateness of the purchase price paid for the businesses acquired.

DIVISIONAL REVIEW AND OPERATIONAL HIGHLIGHTS

African Resonance and Dashpay comprise the Payments & Payment Infrastructure division of the Group.

African Resonance primarily sells, distributes, rents, services, maintains, enables and manages payment devices to, for and on behalf of its banking and institutional clients. African Resonance has a distribution agreement with terminal manufacturer, Ingenico (France), a relationship that has developed with reciprocal respect and advantage since the formation of African Resonance in 2003.

Dashpay was initially conceived as a traditional merchant acquirer when first established in 2013.

Since that time a significant amount has been invested in the development of Dashpay's systems and technology, with further resources being allocated to complete its exclusively licensed multi-product, multi-party, universal transacting platform. Dashpay is now positioned to provide innovative transaction processing services, solutions and products focused on business-to-business (B2B) and business-to-business-to-consumer (B2B2C) commercial and payment activity.

The Dashpay platform, ecosystem and solution set are intended to complement the traditional payment services provided by the Group's established banking and institutional client base, are device agnostic and integrate seamlessly with existing legacy systems. Moreover, Dashpay services are ideally suited to serving the rapidly changing needs for secure payment systems and financial management across Africa.

Post its acquisition we have restructured and retooled the Dashpay business and we have further invested into the new technology platform during 2018. We are in the final stages of a soft launch of the new Dashpay and we believe the early results to be extremely encouraging.

The Payments & Payment Infrastructure division has performed exceptionally well, more than doubling the number of terminals previously managed and serviced as part of the terminal estate. We have also brought several new clients into the ecosystem and have expanded our relationships with clients in many respects. We are honoured that all of the major banks are now commercially active with our payments initiatives.

Terminal procurement and deployments by various banking clients during the year increased by c.43 000 units. When added to the number of terminals in the field at the date of acquisition, African Resonance today manages more than 75 000 Ingenico terminals in the overall terminal fleet. We initially targeted to manage 100 000 terminals by end of fiscal 2019. With our growing client base and a solidified pipeline through 2019, we are confident that we are on track to accomplish that.

We are continuing to innovate, and it is that innovation that is going to propel our growth going forward. We believe the Payments & Payment Infrastructure business is well positioned and is being recognised by our clients as such, given the successful implementations that we have completed this year.

Our business philosophy has three principal tenets:-

We partner

We innovate

We execute

The division generated turnover of R415.1 million, EBITDA of R152.0 million and an operating profit of R149.5 million. For the past four years the division has experienced a compound annual growth rate in operating profit of more than 241%, albeit off a low starting base. This impressive performance underscores both our investment decision and our optimistic view of the future potential of this business. We extend our compliments to Professor Neishlos and the Payments team for the impressive outcome.

Fundamentally, as an organisation, we place huge emphasis on innovation - delivering that innovation to our clients and continuing to stay at the forefront of the services, products and solutions that evolve from that innovation. We are not interested in innovation for its own sake, we are looking to convert it into something that has commercial merit and Synthesis is at the centre of this.

Synthesis comprises our Software & Services division and offers highly specialised software development, consulting and integration services and technology-based solutions to banking and other financial institutions in South Africa and elsewhere. Synthesis is making considerable effort through R&D to deliver on the next phase of technological advancement, which include *inter alia*, machine learning, artificial intelligence, big data and blockchain technology. Commercial exploration continues in these areas, bolstered by the formation of a dedicated R&D business unit - Synthesis Labs.

Synthesis was able to increase client reach and client penetration during the year with its commanding presence in the rapidly growing areas of cloud computing and regulatory reporting. We also expanded our operations internationally into Mauritius and East Africa and started to generate US Dollar-denominated revenue. We continue to enjoy an exceptionally strong relationship with Amazon Web Services (AWS), a division of Amazon, who are the premier provider of cloud solutions globally. Synthesis continued to cement its leadership position in terms of AWS deployment and this

Joint CEOs' review continued

relationship is expected to continue to develop as AWS expands its activities in the region.

Synthesis generated turnover of R93.1 million, EBITDA of R33.6 million and an operating profit of R33.2 million. This turnover was ahead of expectation, suggesting that their profit warranty threshold will be attained at the end of fiscal 2020. The division has consistently generated solid earnings, with a compound annual growth rate in operating profit of 28% per annum for the past four years.

Resonance Australia is an associate Company investment in which CAPPREC owns 17.45%. Resonance Australia is still in its early stages of development but, when operational, will employ a business model similar to that which Dashpay operates in South Africa. The Company incurred the budgeted development and administration costs for the period, with Capital Appreciation's share of the resultant loss being R958 211. The Board are satisfied with the evolving activity in Australia and are cautiously optimistic about its future.

GROUP FINANCIAL PERFORMANCE

As mentioned elsewhere in the Integrated Annual Report, it should be noted that the consolidated financial results reflect 12 months of net investment income earned by CAPPREC for the year ended 31 March 2018, but only 11 months of trading performance for the acquired businesses.

The operational highlights described above have translated into a set of financial results that reflect the underlying operations of our subsidiaries. This will serve as a benchmark against which future results can be compared.

 *Refer to the Chief Financial Officer's review on page 22 for a detailed review of the financial performance in fiscal 2018.*

This Group is a strong net generator of cash, which positions it well for further investment and growth, with cash resources at 31 March 2018 of R513.2 million. These resources will be applied, in the first instance, to fund anticipated organic growth and thereafter to pursue additional investment and acquisition opportunities.

OUR OPERATING ENVIRONMENT, STRATEGY AND GROWTH OPPORTUNITIES

Our business philosophy has three principal tenets to it.

We partner. We work with our clients and partner institutions and help them to do what they

do better. Our focus is on finding new revenue streams and new opportunities and doing that in a way that can be beneficial to both our clients and ourselves. The fact that we have been able to attract so many businesses as new clients is testament to their understanding of the importance we place on the partnership relationship that we have with them.

We innovate. We lead with innovation. That is the nature of what we do. We want to differentiate ourselves, and that comes out in our understanding of what we believe the problem set and solution to be, of what we understand a pain point to be, of what we understand new revenue opportunities to be. We have a strong ethos of client-centric innovation and execution and are well recognized for our thought leadership and the development work we do across new technologies. It is very important for us to deliver and add value.

We execute. Ultimately it is about execution. The quality of our delivery is what begets success. It is what gives us staying power with our existing clients and what builds our reputation to attract new clients. We produce an end-to-end solution and our products are designed to solve the clients' requirements comprehensively and effectively.

Operating context

Even against the backdrop of poor economic performance in South Africa, there is a rate of change brought about by technology that is impacting every business in every sector, and the financial services sector is no different. Global trends show that innovation is making payments more cashless and invisible, at the same time as it enables data driven engagement platforms for clients. Locally, the move to electronic payment continues, with card payment volumes increasing at a steady rate. South Africa's point of sale device penetration - at 4.5 installed devices per 1 000 people - is amongst the lowest of the leading countries globally, not just in relation to population density, but in relation to the economic activity in the country and to the number of credit and debit cards in issue. This provides significant opportunity to increase terminal penetration, both as cost of service declines and value delivered to merchants and consumers increases. If we can continue to innovate and deliver new products and value propositions, brought about by new technologies or the application of technologies to new areas, we are confident that we should be able to drive above-market, above-trend growth for the foreseeable future.

DISRUPTIVE FORCES IMPACTING FINANCIAL INSTITUTIONS GLOBALLY

Cost commoditisation Financial institutions will accelerate the commoditisation of their cost bases, removing them as points of competition and creating new grounds for differentiation.	Bionic workforce As the ability for machines to replicate the behaviour of humans continues to evolve, financial institutions will need to manage labour and capital as a single set of capabilities.
Profit redistribution Technology and new partnerships will enable organisations to bypass traditional value chains, thereby redistributing profit pools.	Instant gratification User experience of “online” environment is impacting all industries where bespoke solutions are offered instantly.
“Experience” ownership Power will transfer to the owner of the customer interface; pure manufacturers must therefore become hyper-scaled or hyper-focused.	Regulatory compliance & reform Regulators are increasing oversight and compliance obligations over established players while also looking to encourage innovation and reduce transaction friction.
Platform rising Platforms that offer the ability to engage with different financial institutions for a single channel will become the dominant model for the delivery of financial services.	Data monetisation Data will become increasingly important for differentiation, but static data sets will be enriched by flows of data from multiple sources combined and used in real time.

Source: Derived from World Economic Forum report

OUR GROWTH STRATEGY

Given the myriad of growth opportunities that are available to us, our growth strategy is also multi-pronged.

We have a very strong organic growth strategy and trajectory and have the resources and capability to augment our organic capabilities with acquisitions

Key to our future growth is that we have strong relationships across both divisions with our existing clients and will continue to do so, at the same time as we pursue new clients and opportunities, in South Africa, across Africa and abroad.

Regulatory compliance requirements continue to expand and become more onerous. Our Software & Services business offer state-of-the-art solutions to ease the costs and time associated with compliance. The opportunities for large institutions to migrate to more cost-effective, cloud-based deployments of

PAYMENTS & PAYMENT INFRASTRUCTURE

SOFTWARE & SERVICES

ORGANIC GROWTH	• Continue to grow POS device estate • Existing clients • New clients • New applications • Deployment of new platforms across estates • Introduction of new products	• Licensing of software applications for regulatory compliance • Cloud migration opportunities continue to accelerate • International expansion of service offerings • New technology deployments (blockchain, artificial intelligence, etc.)
ACQUISITIONS	• Pursue attractive investment and acquisition opportunities in Payments & Payment Infrastructure sector in South Africa, Africa and other international markets that (i) expand our capabilities, (ii) expand our market opportunity, and (iii) build on our business models • Pursue attractive acquisition opportunities in Software & Services sector in South Africa	

Joint CEOs' review continued

infrastructure continue at pace. The savings – of up to 60% of a financial institution's directly related operating costs – are compelling, and Synthesis' position as AWS' preferred African partner, positions us well to assist them with these migrations.

Clients are also increasingly looking to new technologies such as robotics, artificial intelligence, big data and blockchain to maintain their competitive advantage. These are all areas within which Synthesis plays a leading role and continues to innovate. The launch of Synthesis Labs will ensure that the team remains abreast of cutting-edge trends.

At the same time as we offer these new technologies to our clients on the Software & Services side, within our Payments & Payment Infrastructure division we use all those technologies ourselves to ensure that our service offerings and capabilities are more efficient and more relevant.

Transactions are data rich. They have a huge amount of information associated with them besides the value of the payment that takes place. Through our Dashpay business we are focused on taking that payment activity and converting it into new transaction types, new revenue streams and new products and services. The growth potential of that business model is limited only by our inventiveness.

There is no doubt that electronic commerce is increasing. We expect the growth of electronic and card transactions to continue to exceed the growth of cash and other transactions. We also think there is a significant opportunity to increase the penetration of point-of-sale devices and the nature, extent, sophistication and relevance of the transaction activity through these devices.

Each of the subsidiaries has made excellent progress in its first period under the Capital Appreciation banner and, going forward, collectively are likely to benefit from both expanding demand from the institutional and corporate sector, and demand created through government's new focus, support and development for SME enterprises. This is a rapidly emerging and welcome transformational sector in South Africa and elsewhere on the continent.

The organic growth potential is large and compelling and, while we target continued growth in our underlying businesses, the sector also presents several interesting acquisition opportunities, and we will pursue those with discipline. These would also

include opportunities for the expansion and technology transfer of our business models into new markets.

PROSPECTS

The Company has demonstrated itself to be a trusted partner to established financial institutions. Our clients have recognized that we are leaders in what we do and have embraced us. We will continue to work hard to retain that trust and that reputation. Our clients have a presence in Africa, which provides a natural expansion opportunity for us on a risk-moderated basis. In many instances the work we do is mission-critical – it's a component of what the institution needs to spend its capital on.

We are focused on operational execution and on a rigorous approach to financial performance. We have a strong balance sheet and opportunities for investment. We are cash-generative. We collectively – from the leadership of each of the business units through to the leadership of the segments through to our Board – have strong networks we can use to build the business. Our subsidiaries have a proven track record of innovation, which has been responsible for our success thus far, and which we will continue to invest in as our differentiator and growth driver.

There is more confidence in the economy at this time than that experienced in recent years, and we are cautiously confident in suggesting better times ahead.

APPRECIATION

We would like to thank everybody who is part of Capital Appreciation, from our Board, to our divisional leadership, to our operational team members and to our partners, for the untiring effort and superb contribution over the past year. We look forward to additional fun times ahead.



Michael Pimstein

Joint Chief Executive Officers



Bradley Sacks



Chief financial officer's review

INTRODUCTION

Capital Appreciation transformed through a range of acquisitions and investments from a special purpose acquisition company into a FinTech operating Group with 3 wholly owned subsidiaries during the 2018 financial year. These acquisitions are reported on in detail in the Annual Financial Statements. Given this metamorphosis, it is important to note two characteristics of the 2018 financial results:

- the historic results are not directly comparable due to the differing nature of current operations relative to historic periods; and
- due to the viable asset acquisitions being approved on 5 May 2017, these consolidated financial results reflect 12 months of net investment income earned

by CAPPREC for the year ended 31 March 2018, but only eleven months of trading performance for the acquired businesses.

ACQUISITIONS

During the financial year, the following acquisitions were completed:

African Resonance

CAPPREC acquired 100% of the shares in African Resonance Business Solutions Proprietary Limited for a purchase price of R485.9 million, with R295 million settled in cash and the issue of 230 million shares, valued at R190.9 million, being 83 cents per share, which was the share price on the closing date 5 May 2017.

Acquisition of Rinwell

CAPPREC acquired 100% of the shares in Rinwell Proprietary Limited which is a 100% shareholder of Dashpay Proprietary Limited ("Rinwell Group") for a purchase price of R237.45 million, with R225 million settled in cash and the issue of 15 million shares, valued at R12.45 million, being 83 cents per share, which was the share price on the closing date 5 May 2017.

SALIENT FEATURES

- Revenue of R571.3 million
- Trading profit of R178.3 million
- EBITDA of R177.5 million
- Headline earnings of R143.4 million
- HEPS of 9.53 cents
- Normalised HEPS of 10.12 cents
- Total dividend per share of 4 cents
- Cash generated from operating activities of R166.9 million
- Cash conversion rate of 116% of profits after tax
- R513.2 million cash available for reinvestment



Acquisition of Synthesis

CAPPREC acquired 100% of the shares in Synthesis Technologies Proprietary Limited for a purchase price of R132.1 million, with R82.3 million settled in cash and the issue of 60 million shares, valued at R49.8 million, being 83 cents per share, which was the share price on the closing date of 5 May 2017.

The Synthesis acquisition is subject to a 37-month profit warranty. There is the confident expectation that this warranty will be achieved and accordingly a contingent consideration reserve of R33.1 million has been raised in the financial statements. On the assumption that the profit warranty is achieved the total purchase consideration for the acquisition of synthesis will amount to R165.2 million.

Acquisition of Resonance Australia

CAPPREC acquired 17,580 shares in Resonance Australia Proprietary Limited, representing 17.45% of the share capital of Resonance Australia Proprietary Limited for a purchase price of AUD 2.97 million (R29.7 million). The Company also provided Resonance Australia with an interest free loan of AUD500 000 (R5.0 million).

The acquisitions of subsidiaries have been accounted for in terms of IFRS 3 Business Combinations.

The acquisition of the associate has been accounted for in terms of IAS 28 Investments in associates.

FINANCIAL RESULTS

Economic conditions in South Africa over the past year could be best described as muted, with consumers under strain and businesses taking a cautious stance to expansion and investment. It is gratifying to note that, despite tepid economic growth and the integration processes for the newly acquired businesses during the year, the operating subsidiaries performed exceptionally well and, in all cases, exceeded the profit expectations set during the due diligence processes.

The Group's operations generated gross revenues for the year of R571.3 million (2017: R80.2 million). Net Finance income declined from R80.2 million in 2017 to R38.7 million, due to lower cash balances, with cash being utilised for acquisitions, the repurchase of shares and dividends paid.

Trading Profit, inclusive of net finance income amounted to R216.9 million (2017: R75.2 million), with Profit after taxation, being R142.9 million (2017: R39.2 million). Normalised profit after tax, adjusted for the applicable after-tax amortisation charge on intangible assets, increased to R151.7 million (2017: R39.2 million). Headline earnings for the year increased by 266% to R143.4 million (2017: R39.2 million) translating into EPS and HEPS for the year of 9.49 cents per share and 9.53 cents per share respectively, an increase of 202% and 204% relative to the EPS and HEPS of 3.14 cents in the previous year. The number of shares in issue increased to 1 555 million shares, with 305 million of these issued as part of the acquisition consideration for African Resonance, Rinwell and Synthesis.

Normalised Headline Earnings per Share ("NHEPS"), together with Earnings Before Interest, Taxation, Depreciation and Amortisation ("EBITDA"), are the primary measures used by management to assess the Group's underlying financial performance. The Group generated EBITDA of R177.0 million (2017: R19.8 million loss) and NHEPS for the year of 10.12 cents (2017: 3.14 cents), an increase of 222% in the prior year. NHEPS comprises HEPS adjusted for the after-tax amortisation arising from the value attributable to the intangible assets that arose in connection with the May 2017 acquisitions. Going forward NHEPS may include other non-trading related items that positively or negatively distort the assessment of the trading performance of the Group's underlying businesses.

During the year, the Group was exceptionally cash generative with cash generation from operations of R166.9 million, representing a conversion of 116% of the 2018 profits after tax. This characteristic of the Group's operational enterprises is well reflected in the Group's cash resources at 31 March 2018 of R513.2 million.

The Group's operating Companies are generally capital light and the diligent focus on tight expense and asset management contributed to the pleasing cash flow performance.

During the year, the Group repurchased 55.62 million shares for a total consideration of R41,4 million which translates into an average cost price of 74.4 cents per share.

The Group's cash resources will be applied to fund future organic growth and to pursue further acquisition opportunities.

The balance of profits after tax arose from the net investment income generated in the holding Company.

Resonance Australia's planned budgeted development and administration costs for the period, translated into an attributable CAPPREC share of loss of R958 211, which is appropriately reflected as a separate item in the statement of comprehensive income.

DIVIDENDS

The Board declared a final dividend of 2 cents per ordinary share (gross) for the year ended 31 March 2018, making the Group's maiden annual dividend an amount of 4 cents per ordinary share.



Alan Salomon
Chief Financial Officer





Divisional reviews

PAYMENTS & PAYMENT INFRASTRUCTURE

African Resonance and Dashpay comprise the Payments & Payment Infrastructure division of the Group. These businesses innovate, develop, manage and promote payment product and infrastructure solutions for established and emerging institutional clients and other organisations that need to receive or make payments.



African Resonance is a leading provider of payment infrastructure and related services to established financial institutions, emerging payment service providers, the hospitality industry and retail operators. We design, develop and implement end-to-end solutions, including full service device fleet management, to institutional and corporate clients. African Resonance supplies electronic point-of-sale and like devices and provides merchants with a single device capable of providing both banking and non-banking products and services. African Resonance maintains strong client relationships with all the major banks in South Africa.



Dashpay has procured an exclusive license for South Africa to a multi-product, multi-party, universal transacting platform to provide innovative transaction processing services, solutions and products focused on B2B and Business-to-Business-to-Commercial ("B2B2C") and payment activity, in conjunction with its institutional client base.

The Dashpay platform, ecosystem and solution set are device agnostic and have been designed to integrate seamlessly with existing legacy systems. Dashpay services are also ideally suited to serving the rapidly changing needs for secure payment systems and financial management across Africa.

KEY STATISTICS

	2018* (11 months)	2017*	% change
Turnover	R415.1 m	R202.9 m	105%
EBITDA	R152.0 m	R77.3 m	97%
Operating profit	R149.5 m	R60.7 m	146%
Cash flow from operations	R134.3 m	R45.2 m	197%
Number of terminals	75 000	32 000	134%
Number of employees	118	76	55%
Training spend	R0.90 m	R0.73 m	23%
Supplier development	R2.44 m	R1.35 m	81%
Corporate Social Investment spend	R1.80 m	R0.72 m	150%
Enterprise development spend	R3.66 m	R2.015 m	82%

* The results for 2018 reflect trading for 11 months and the 2017 comparatives are provided for information purposes only as they are based on pre-acquisition audited annual financial results.

 For more information on the financial results, refer to the Chief Financial Officer's review on page 22.
For more information on social spending, refer to the economic transformation section on page 11.



Years of notable innovation in the FinTech space has earned African Resonance an enviable reputation which is recognised by leading institutions both in South Africa and internationally. One of the earliest examples of this innovation dates back to the initial founding of African Resonance and was the company's collaboration with Oppikoppi, a renowned South African annual music festival that attracts thousands of people each year. Organisers needed a payment system that removed the need for cash, this in an environment that was remote and with limited technological infrastructure.

Today, the Payments & Payments Infrastructure division is the only entity in South Africa, and one of few globally, that offers a fully comprehensive service in the payments environment. The solution starts with the provision of a quality device from French-based Ingenico, the world leader in payment terminals. Ingenico has a presence in 170 countries and more than 30 million installed terminals globally. African Resonance has been in partnership with Ingenico for 15 years and has been awarded the status of Ingenico Centre of Excellence for its development of innovative products.

Once imported, the payment device is loaded with a proprietary software platform that differentiates African Resonance from other service providers. Moreover, the software platform is augmented by software and payment applications that are tailored to each bank client and merchant's individual needs. African Resonance has developed software for each of the major South African banks, as well as a range of other financial institutions in the past few years. The African Resonance solutions offering is enhanced by the Group's capital strength, which allows clients to either purchase or lease the terminal from us.

Payment is a time sensitive event and merchants place high emphasis on system reliability (consider that most often the competition to electronic payment is cash). The reliability of the payment device is paramount to merchants and the significant growth in the number of terminals in African Resonance is testament to the enduring satisfaction of the company's clients – satisfaction that depends on the quality and reliability of both the device and the software, as well as the after-sales service provided to the merchants.

Divisional reviews *continued*

Amongst the world leaders in efficient management of EFT POS terminal estates

At the heart of the African Resonance after-sales service is the unique ability to resolve the vast majority of service problems (currently measured at 85% of problems reported) remotely through a real-time asset management system and a call centre of highly trained agents. African Resonance also maintains a 'rapid relationship response team' to resolve any problems that cannot be attended to remotely. The core elements of today's real time asset management system were initially developed in 2004. Real-time asset management has recently become compulsory for payment providers to be PCI4 compliant (a security standard imposed by both VISA and Mastercard). This further demonstrates the company's long history of innovation and payment system leadership. The reliability of the African Resonance platform and service offering is further enhanced by a very high level of redundancy to address imperfect environmental factors such as unstable communications networks.

Central to the attractiveness of the African Resonance service proposition is the added innovation provided on the terminal and in

Very innovative, very strategic

transaction processing through Dashpay's unique Universal Transaction Platform.

The Payments & Payment Infrastructure division has defined more than 70 product verticals and developed multiple product applications that can be loaded on to the payment terminal, in each case depending on the merchant's requirements. These product verticals and applications include services as broad as the distribution of chronic medication, social grant payments, stock management, reward programmes, vouchers and coupons, insurance, store in a store applications and consumer and/or merchant finance, among others. The opportunities are endless and the unique technology eco-system allows new solutions to be developed and implemented rapidly.

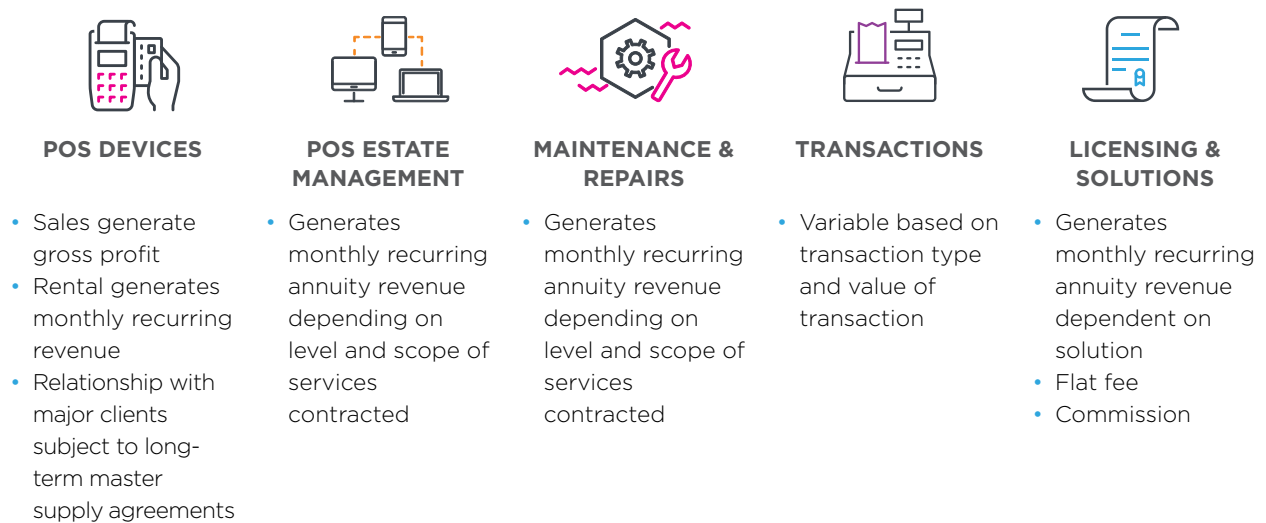
African Resonance's latest Merchant satisfaction survey indicates that clients have high levels of satisfaction, with scores well in excess of benchmark scores achieved in the banking, insurance, restaurants and cellular handsets sectors



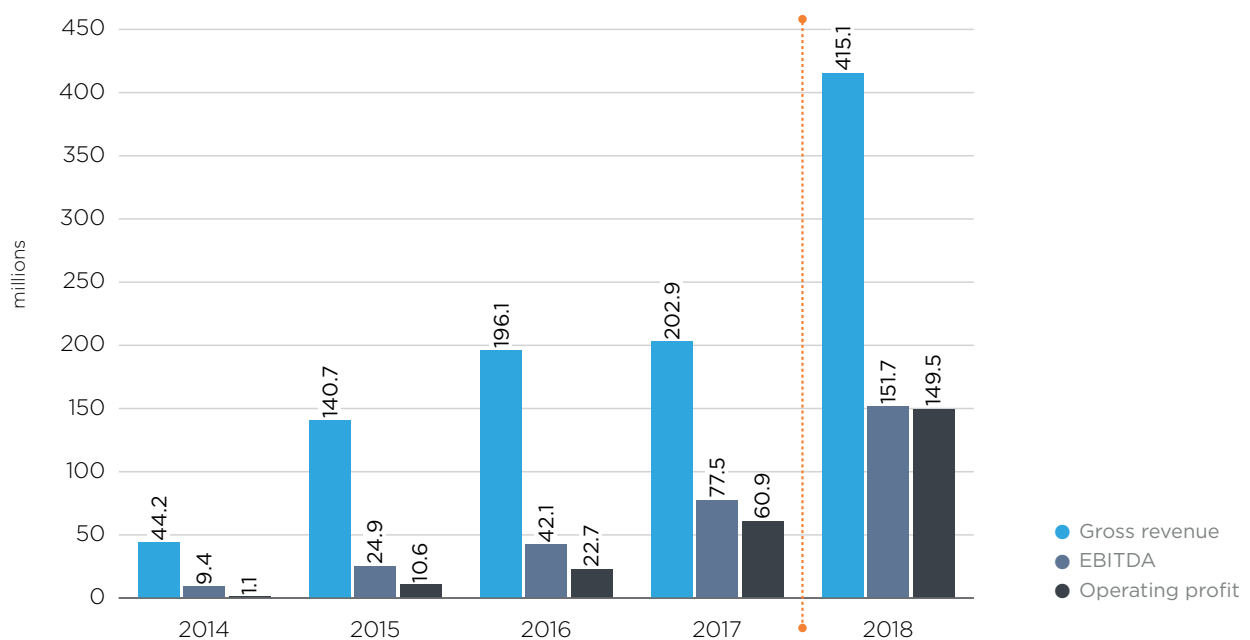
From left to right: Hanoch Neishlos, Yoav Duek, Tumi Frazier, Donn Engelbrecht, Nicci Redford and Christiaan van der Merwe

The revenue model for the Payments & Payment Infrastructure segment is continuing to evolve with an expectation that an increasing percentage of revenue will be recurring service and value-added product related. Below is a schematic that shows the different revenue streams we have.

PAYMENTS REVENUE MODEL



5 YEAR PERFORMANCE HISTORY



The results for 2018 reflect trading for 11 months and the 2014 to 2017 comparatives are based on pre-acquisition audited annual financial results.

Divisional reviews continued

SOFTWARE & SERVICES

Synthesis offers highly specialised software development, consulting and integration services and technology-based product solutions to banking and other financial institutions in South Africa and elsewhere. Synthesis' products and services enable clients to perform business processing functions, meet regulatory requirements, integrate with trading platforms and exchanges and secure sensitive information.



SYNTHESIS LABS

Artificial intelligence, blockchain, machine learning



CLOUD CONSULTING

Cloud transformation to assist the Enterprise in becoming cloud ready, execute mass migrations and to harness the benefits of public cloud platform



DIGITAL CHANNELS

Delivering exceptional end-user client experience web and mobile touch points for financial services institutions while maintaining information security and transactional integrity



PLATFORM INTEGRATED PRODUCTS

Integration to enable regulatory reporting solutions for SARS (tax) and SARB (balance of payments), payment processing and exchange connectivity

Synthesis was the first company to achieve accredited Amazon Web Services' Advanced Consulting Partner status in the Middle East and Africa region

Synthesis assists financial institutions in becoming cloud-ready, executing mass migrations, harnessing the benefits of big data analytics, extracting cost savings and regulatory benefits of cloud platforms. Synthesis is positioning itself as an innovation enabler and integrator for financial services companies and is proud to be associated with a broad range of blue chip financial institutions, including the major banks, insurance companies, as well as a variety of corporate, financial and agriculture servicing companies.

KEY STATISTICS

	2018* (11 months)	2017*	% change
Turnover	R93.1 m	R77.6 m	20%
EBITDA	R33.6 m	R29.9 m	12%
Operating profit	R33.2 m	R29.4 m	13%
Cash flow from operations	R35.3 m	R23.9 m	48%
Number of employees	97	56	73%
Training spend	R1.5 m	R0.1 m	1 400%
Corporate social investment spend	R0.4 m	R0.2 m	50%
Enterprise development spend	R1.0 m	Nil	n/a

* The results for 2018 reflect trading for 11 months and 2017 comparatives are provided for information purposes only, as they are based on pre-acquisition audited annual financial results.

 For more information on the division's financial results, refer to the Chief Financial Officer's review on page 22.
For more information on social spending, refer to the economic transformation section on page 11.



From left to right: Jake Shepherd, Michael Shapiro, Tom Wells and Steyn Basson

Divisional reviews continued

For more than 20 years, Synthesis has been assisting clients to translate business strategy into technology solutions that have a real and measurable impact. The success of Synthesis is based on strong software development skills, combined with integration skills and an in-depth understanding of the financial services industry. More recently, the team's skills set has also been augmented with cloud computing knowledge and the company is rapidly building up a knowledge and experience base in various emerging technologies.

The team's focus is to deliver high impact services to the financial services' sector thereby assisting clients to use technology to further improve their products and the way they interact with customers.

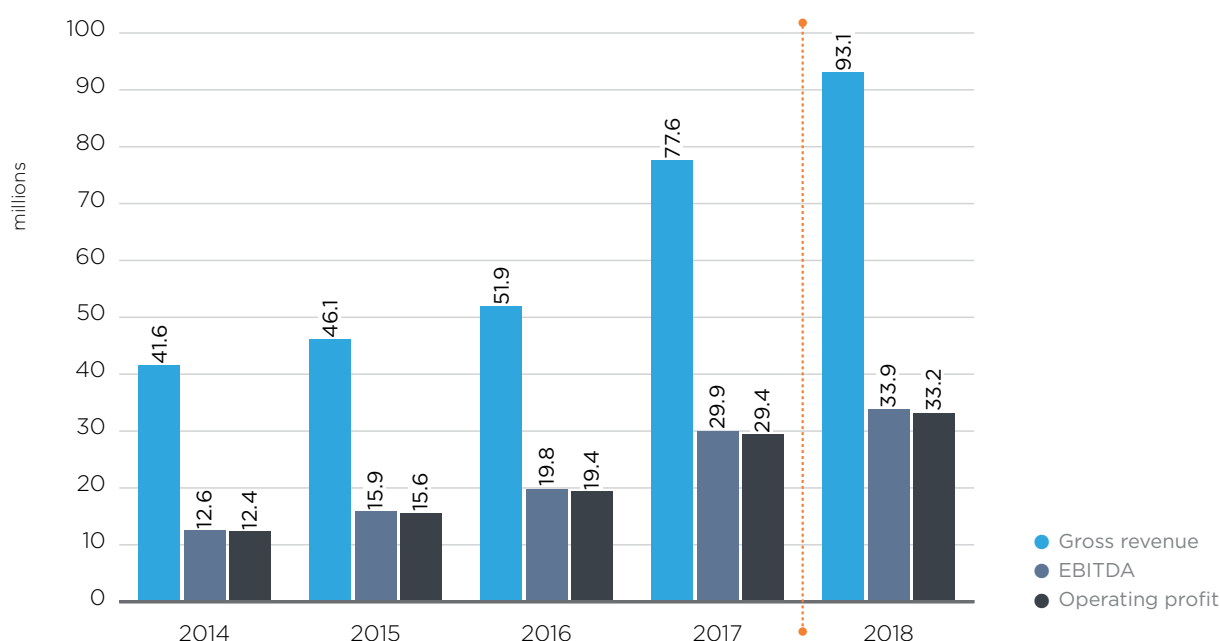
Cloud adoption is increasing at an exponential rate and Synthesis is very well positioned to capitalise on that growth. Advantages for businesses include significant cost savings up to 60%, avoiding upfront infrastructure costs, agility and the ability for local companies to compete globally. Synthesis is focused on building advanced cloud architecture for clients and delivering cost-efficient, web-scale and highly effective services with global reach. Synthesis is the

first company in the Middle East and Africa to achieve Amazon Web Services' (AWS) Advanced Consulting Partner status - recognition for the scale of the team's cloud expertise. The company has over 65 AWS certifications and intends becoming an AWS Premier Consulting Partner, which will put Synthesis in the top tier of consulting companies globally. These opportunities in this area are evident - over three years ago, Synthesis did not have a cloud services business and this segment generated over R36 million of revenue in the period under review.

Banks are stringently regulated and Synthesis provides **advanced regulatory and compliance solutions** and has a reputation for high-end, highly skilled applications and support.

The company's comprehensive set of regulatory reporting products assist banks and other financial services entities to interact with the regulators (such as the South African Reserve Bank and South African Revenue Services) and generate compliant regulatory reporting. South African regulation is unique, making a local partner that understands the context and can provide local support critically important.

5 YEAR PERFORMANCE HISTORY



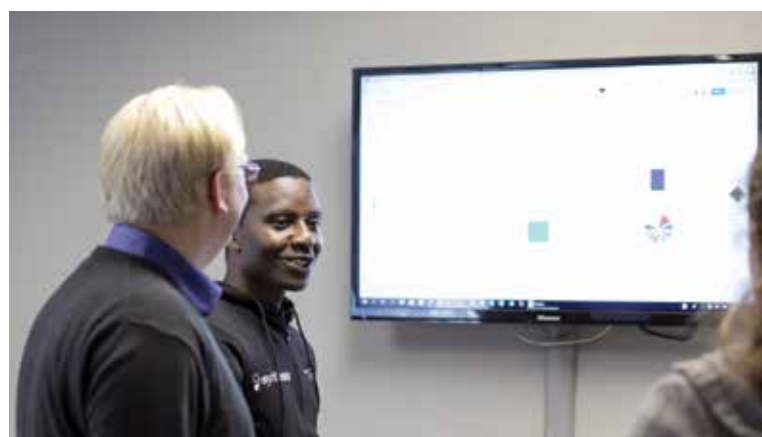
The results for 2018 reflect trading for 11 months and the 2014 to 2017 comparatives are based on pre-acquisition audited annual financial results.

The **digital channels** segment focuses on enabling those sets of technologies for the banking, insurance or asset manager clients that allow them to interact with their customers in the most appropriate way. Synthesis helps them to, through the use of digital channels, create offerings that will allow them to compete effectively. Synthesis focuses on providing secure access to mobile, web and a range of social chat and media channels, in a way that is most convenient for the customer. These services are expanding at a rapid rate.

The **Synthesis Labs** environment concentrates on research and development of new technologies and how they are changing the way in which enterprises interact with their customers, save costs and innovate. Synthesis focuses on the biggest impact areas for FinTech: cloud, blockchain and big data. The team also looks at trends like artificial intelligence and machine

learning. In all endeavours, the mindset centres on how to commercialise these opportunities, in close cooperation with and for the benefit of clients.

Synthesis has significantly increased the number of clients that it is working with in recent years and has expanded its footprint to deliver services in South Africa, Mauritius and Kenya. Entry into the new regions has diversified the company's revenue streams to include US dollar-based income, which has grown to 12% of total income. The team is also considering expanding as appropriate, into the rest of Africa and other developing markets, as the company's products and services are in most cases completely transportable into those areas.



Members of the Board



Michael (Motty) Sacks (75)

CA(SA), AICPA (Isr)

Chairman

Appointed: 3 March 2015

Motty has more than 50 years' experience as a consultant, advisor and mentor to numerous local and foreign companies and executives. He has also held executive and non-executive office in various business sectors, including healthcare, financial services, technology, education, property and manufacturing. Motty was a co-founder of Netcare Limited, having served as its executive Chairman, thereafter as non-executive Chairman and non-executive director. Motty was also a co-founder and Chairman of Aplitec Limited (now Net 1) and a co-founder of and mentor to several BEE Enterprises, including BEE controlled Afrocentric Investment Corporation Limited. Motty serves and has served as Chairman and/or director on several Boards including, Fedsure Holdings, Federated Employers Mutual, Federated General, Saambou Bank Holdings, The Automobile Association, Clinic Holdings, Advtech Limited, The International Association of Political Consultants and Adcock Ingram.

Executive directors



Michael Pimstein (63)

BComm Acc (Wits)

Joint Chief Executive

Appointed: 3 March 2015

Michael has more than 30 years' experience as a senior executive in the steel, engineering and manufacturing sector having served most recently as CEO of Macsteel Service Centres SA, a position he held from 1999 through 2013. Michael has been and is a member of various government, labour and business committees that address industrial policy, growth and development plans, infrastructure requirements and investment, labour mediation and wage negotiations. Michael was, until recently the President and Board Chairman of the Steel and Engineering Industries Federation of Southern Africa and served as President of the Southern African Stainless Steel Development Association and President of the Association of Steel Service Centres. He served on the advisory committee of The Adopt-A-School Foundation.

Bradley has more than 25 years' experience in the financial services and investment business. Bradley is the Managing Partner of Centric Capital Ventures LLC.

Previously Bradley was Managing Director, Global Head of Technology, Media and Telecommunications Mergers & Acquisitions for Bank of America. Bradley was also an investment banker with CitiGroup, having started his investment banking career at Salomon Brothers. Bradley started his professional career as an associate in the corporate department of Fried, Frank, Harris, Shriver & Jacobson, a law firm based in New York. Over the course of his career Bradley has been involved in evaluating, advising and investing in strategic and financing transactions with an aggregate value exceeding US\$100 billion. Bradley is a director of various private companies in which Centric Capital Venture LLC has invested, among others, giving him extensive experience in the operational management of these portfolio companies.



Bradley Sacks (51)

BEconSc (Wits), MBA/JD Hons (Duke University School of Business and School of Law)

Joint Chief Executive

Appointed: 19 March 2015

Alan has more than 40 years' experience as a senior executive in an array of financial services and industrial sectors. Most recently Alan served as the CEO of Bidvest Bank, a subsidiary of The Bidvest Group Limited, a position he held for eight years. In addition to banking and financial services, Alan has also held executive management positions in Listed Group Treasury, waste management and waste recycling, stationery, packaging, catering equipment, services, property, import and export and distribution. He also has extensive experience in a diverse range of manufacturing businesses. Other listed Company directorships held by Alan include executive director of The Bidvest Group Limited (from 1990 to 2012), CEO of Afcom Group Limited, non-executive director of Transpaco Limited, non-executive director of Voltex Limited and non-executive director of EnviroServ.



Alan Salomon (69)

BSc Hons (University of London), CA(SA)

Chief Financial Officer

Appointed: 3 March 2015

Members of the Board *continued*

Non-executive directors



Bukelwa Bulo (40)

BBusSc, PGDA (UCT), CA(SA)
Appointed: 15 September 2015

Bukelwa is a founder and executive director of Jade Capital Partners, a principal investment firm with a focus on the property and industrial manufacturing and services sectors. She started her career in finance with Investec Limited as part of their TOPP programme. Bukelwa soon moved into the Investec Private Equity division where she was intimately involved in various investments made by the Group in companies in the hospitality, quick service restaurant, industrial services, engineering, retail and wholesale sectors. Bukelwa is a director of Netcare Limited and Franki Limited Geotechnical Proprietary Limited and is the Chairman of Jade Precast Proprietary Limited. Bukelwa is also a Trustee of the Franki Africa Employee and Community Trust. Bukelwa completed the Programme for Leadership Development at the Harvard Business School.



Kuseni Dlamini (50)

BA (Hons) (UKZN), MPhil (Oxford)
Appointed: 9 May 2018

Kuseni is the Chairman of Massmart Holdings, Africa's leading general merchandise, wholesale and home improvement retailer. He is also the Chairman of Aspen Pharmacare Holdings, a leading global pharmaceutical Group with operations in over 50 countries across all continents. Kuseni is the former CEO of Old Mutual South Africa and Emerging Markets and was also the Head of Anglo American South Africa, Member of the Executive Committee of Anglo American plc in London and a Director of Anglo Platinum. He is also a member of the Council of the University of Pretoria and a former Chairman of the Board of South African National Parks (SANParks). Kuseni is a graduate of the University of KwaZulu-Natal where he graduated with a BA (Hons)) and Oxford University where he graduated with a MPhil and was also a Rhodes Scholar.

Meyer is the former Chairman and Group Managing Director of SABMiller Plc having joined the Company in 1966 and retired in 2012. During 1997 to 1999 he was seconded full-time to the South African Police Service as its Chief Executive and was awarded the South African Police Star for Outstanding Service in 2000. Meyer is non-executive Chairman of Netcare Limited. He is a co-founder and non-executive director of Afrocentric Investment Holdings Limited. Meyer has served on the Boards of numerous companies, has been active in various charitable and civic organisations and has been recognised with various business and leadership awards over his career.



Jacob Meyer Kahn (79)

BA (Law), MBA, DCom (hc)

Lead Independent Director

Appointed: 15 September 2015

Errol has extensive regulatory, banking and specialised financial services experience having served as a Senior Executive of the South African Reserve Bank (SARB) from July 1978. In September 2003, Errol was appointed Registrar of Banks in South Africa and served in that position until July 2011. As the Registrar of Banks, Errol represented South Africa as a full member of the Basel Committee on Banking Supervision and he successfully project managed South Africa's early adoption and full implementation of both the revised 25 Basel Core Principles for Effective Banking Supervision as well as Basel II. Errol contributed in a material manner to the South African banking system successfully navigating the Global Financial Crisis of 2008.

On 1 August 2011 Errol was appointed Managing Director of Supervision and Authorisation at the Qatar Financial Centre Regulatory Authority, where after he was appointed by the Board of the Qatar Central Bank to serve on Qatar's Financial Stability and Risk Control Committee. He relinquished his role at the Qatar Financial Centre Regulatory Authority on 31 July 2016. Errol serves as an Independent Non-Executive Director of Nedbank Group Limited and Nedbank Limited and chairs various Board risk and credit sub-committees. Errol is a graduate of the University of Pretoria where he obtained a B.Com. degree.



Errol Kruger (61)

BCom (UP)

Appointed: 9 May 2018

Members of the Board *continued*

Non-executive directors



Mathukana Mokoka (44)

BCom (UL), CA(SA)
Appointed: 9 May 2018

Mathukana is a Chartered Accountant CA (SA) having completed her articles about 15 years ago at Arthur Anderson (KPMG). Since that time, Mathukana has had experience in strategic and financial management, corporate finance and deal making. She has a comprehensive appreciation of corporate governance, the Public Finance Management Act and the Company's Act, including treasury regulations, applicable both in the Public and Private sectors. Mathukana was previously employed by the Standard Bank Group, substantially involved as deal maker in the Business Banking Division. Mathukana has considerable public Company Board experience presently serving as a Non-Executive Director on the Boards of the Public Investment Corporation (PIC), Sanlam Limited, Rolfes Holdings, Contract Services Group and Palabora Mining. She is also a member of the African Women Chartered Accountants (AWCA), an organisation seeking, *inter alia*, to provide support to aspirant African women CAs. Mathukana is a graduate of the University of Limpopo where she obtained a B.Com. degree.



Roshan Morar (50)

CA(SA), CFE
Appointed: 15 September 2015

Roshan is a Chartered Accountant and the Managing Director of Morar Incorporated, Public Accountants and Auditors. Roshan is the non-executive Chairman of the Airports Company (SOC) Limited, is a non-executive director of the South African National Road Agency (SOC) Limited and a non-executive director of Harith Fund Managers.

Eitan is Managing Director of Resonance Australia, a CAPPREC associate. Eitan has 15 years of experience as a corporate attorney and business executive in both large multi-national organisations and technology related entrepreneurial enterprises. Eitan acquired Dashpay from Telesure in 2015 and, as vendor, directed the sale of the business to Capital Appreciation in 2017. In addition, Eitan is a Director of Caspit Payment Technologies, a leading EFTPOS supply, distribution and solutions Company, operating in the Israeli payments sector. He is also a member of Weizmann Vibe at the Weizmann Institute of Science. Eitan is a qualified Attorney at Law from the University of Johannesburg and was for some years an associate at Bowman Gilfillan.



Eitan Neishlos (39)

BComm LLB (Wits)

Appointed: 9 May 2018

Hanoch is the Founder of African Resonance. He has a wealth of experience in the payment and technology sector, holding the title of Professor of Computer Science (Dr. Sc). Hanoch is the former ISM Chair and Head of Computer Science at the University of Witwatersrand, also a former South African representative to the International Federation for Information Processing (IFIP).

Hanoch was the founder of SEPCO Proprietary Limited, (sold to Datakor) and co-Founder of Aplitec/Net 1 (listed on the JSE and NASDAQ). Having been an integral member of the acquisition team that acquired Cash Paymaster Services (CPS) from FNB, Hanoch is well versed in the latest technologies and cutting edge applications and procedures for the payment, distribution and cash settlement of social grants and welfare payments.



Prof. Hanoch Neishlos (70)

Professor of Computer Science DrSc (Technion, Israel)

Appointed: 13 November 2017

Members of the Board *continued*

Non-executive directors



Victor Sekese (52)

BComm (Wits), BAcc (Wits), CA(SA)
Appointed: 15 September 2015

Victor is the immediate past national Vice-Chairman of the South African Institute of Chartered Accountants. He has also served as the Chairman of the audit committee and as a member of the strategy committee of the South African Institute of Chartered Accountants. Victor is active in the accounting profession having served on the Board of the South African Institute of Chartered Accountants for the last 10 years. He is also past National President of the Association for the Advancement of Black Accountants.

Victor is the Chief Executive of SizweNtsalubaGobodo, the largest black-owned accounting firm and fifth largest national audit and accounting firm in Southern Africa. He has extensive audit and consulting experience in various key industries such as transport, logistics, energy and the public sector.

He is a former member of the Assurance and Auditing Standards Committee, a committee of the Independent Regulatory Board for Auditors, which is tasked with setting Auditing Standards in South Africa.



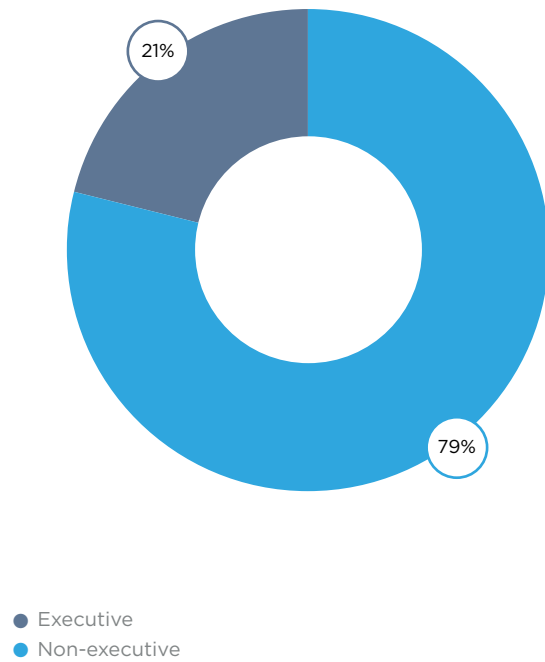
Charles Valkin (84)

BComm LLB (Wits), H Dip Tax (Wits)
Appointed: 15 September 2015

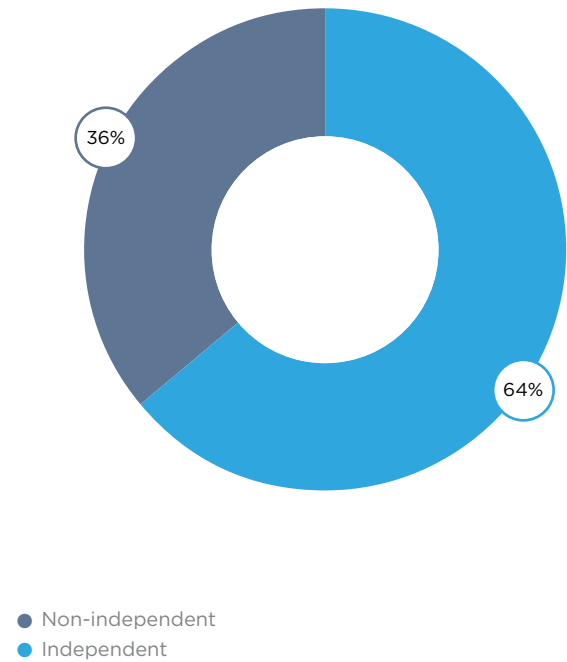
Charles was the most senior partner in Bowman Gilfillan's Corporate, Commercial and Financial Services department. He has extensive experience in M&A and financing transactions. Chambers and Partners has ranked him as one of South Africa's foremost corporate/M&A and banking and finance lawyers. Charles has been the lead lawyer in some of the largest transactions in which Bowman Gilfillan has acted as legal advisors. Charles is currently working on a full-time basis as a Special Counsel to Bowman Gilfillan.

MEMBERS OF THE BOARD continued

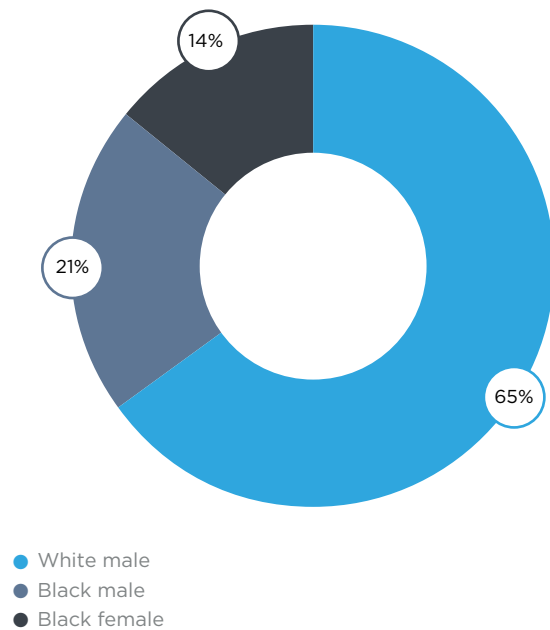
Board structure



Non-executive



Gender diversity





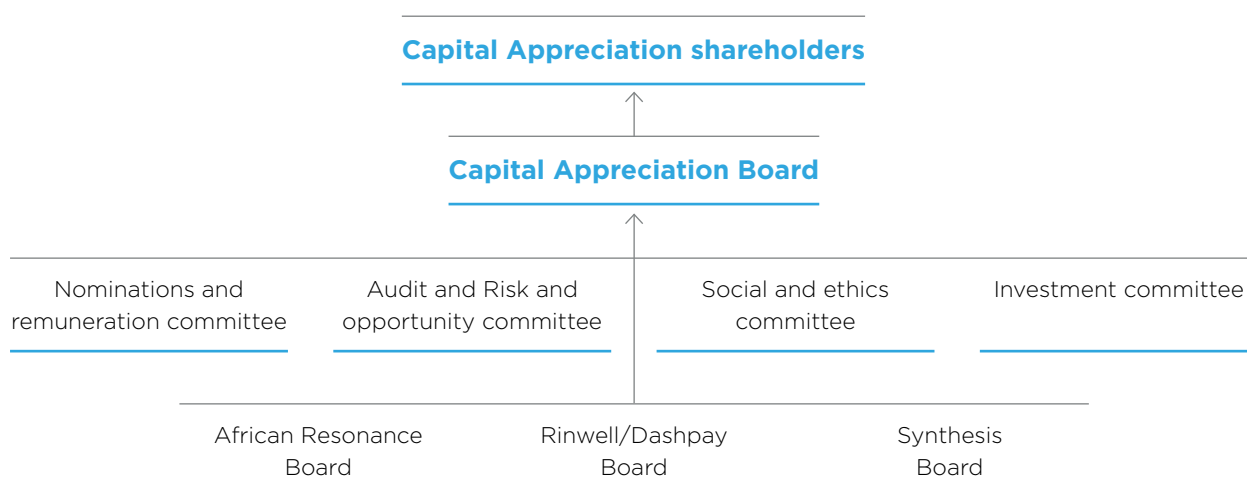
Governance

GOVERNANCE FRAMEWORK AND STRUCTURE

Capital Appreciation is committed to a governance philosophy that advocates high standards of leadership, ethics, integrity, accountability, and responsibility. Our governance philosophy is underpinned by our values, purpose, and vision. Governance is an evolving process and as a recently listed entity, we are in the process of building on the regulatory, legal, and governance requirements of the various jurisdictions within which we operate, seeking to evolve and mature our governance practices beyond simply legislative compliance.

At Capital Appreciation we encourage and enable the growth and quality performance of highly effective, innovative and well-structured businesses and teams and we do so with a non-negotiable commitment to the highest standards of business integrity, ethical

behaviour, professionalism and leadership. Our business philosophy recognises that good governance, committed and honest endeavour, transparency, effective control, accountability and responsibility form the foundation from which we conduct our activities. The Board has, in addition, adopted the recommendations on good corporate governance contained in the King IV report. The King IV principles and recommendations have been implemented across the Group and are being entrenched in the Group's internal controls, policies and procedures governing corporate conduct. At all times our governance structure requires that decisions and actions are taken with proper regard for the legal and regulatory framework in which we operate. The Board of Directors provides effective leadership ensuring that clear strategic direction and appropriate management structures are in place.



USING OUR GOVERNANCE FRAMEWORK FOR VALUE CREATION

We believe that the Group's governance framework and supporting structures support the overall value creation objectives of Capital Appreciation. The Board composition, governance framework, and the roles and responsibilities of the committees are not merely focused on compliance with the relevant laws and regulations, but also on adding value by driving outcomes that support the Group's vision. We believe that the governance framework, practices, and processes create value for the Group through:

1. A DIVERSE AND TRANSFORMED BOARD

The Group has a Board which is diverse in terms of race, gender, business skills, experience and tenure. This diversity provides for robust discussion and assists in reaching decisions which are considered and appropriately reflect the strategic objectives of the Group, the Group's resources and the financial and operational targets to be established, measured and managed.

Succession planning at Board level is important to ensure we have the right balance of skills, continuity and experience.

Governance continued

During the year changes were made to the composition of the Board. To ensure a rigorous and transparent procedure, any new appointment of a director is considered by the Board as a whole, on the recommendation of the Nominations and remuneration committee. The selection process involves consideration of the existing balance of skills and experience, and a continual process of assessing the needs of the Group. Professor Hanoch Neishlos, the founder of African Resonance, was appointed to the Board on 10 November 2017. No other changes took place prior to 31 March 2018. On 9 May 2018, four new director appointments were announced on SENS, those being Kuseni Dlamini, Errol Kruger, Mathukana Mokoka and Eitan Neishlos (the CEO of Resonance Australia). Simultaneously, Dr. Daniel Matjila resigned as a director.

2. DIRECTORS

At the date of this report, the Board comprises 14 directors, 11 non-executive directors and 3 executive directors. The roles and responsibilities of the Chairman and Group Joint Chief Executive Officers are clearly defined and separate. 7 of the 11 non-executive directors are considered independent. The Chairman is classified as non-independent by virtue of his shareholding in Capital Appreciation. H Neishlos and E Neishlos are classified as non-independent by virtue of their shareholding in Capital Appreciation as well as their status as a vendor to Capital Appreciation. Given the 21.44% shareholding by the Government Employees Pension Fund in the Group and their representation on the Board by Mathukana Mokoka, Mathukana is accordingly classified as a non-independent director. Given Capital Appreciation's Chairman, Michael (Motty) Sacks, is classified as a Non-independent Director, and therefore, the position of Lead Independent Director has been maintained and is held by Meyer Kahn. The

Lead Independent Director oversees matters discussed by the Board when the Chairman may, or is seen to have, a conflict of interest. A majority of independent non-executive directors ensures that independent thinking is brought to the Board and committee deliberations, and all directors continue to exercise objective judgement. All Board committees are chaired by independent non-executive directors. The independence of non-executive directors is reviewed annually by the Nominations and remuneration committee. The Board applied the direction provided by King IV in its determination of a director's independence, taking cognisance of the independence definition and recommended practices.

Advised by the Nominations and remuneration committee, the Board ensures that the election of independent directors falls on reputable persons of well-established competence and experience, who are willing to devote a sufficient part of their time to the Group.

In terms of Capital Appreciation's Memorandum of Incorporation (MoI), all directors will retire at the forthcoming AGM. All retiring directors are eligible for re-election.

 *Details of the directors appear on pages 34 to 41 of this report.*

3. AN ENGAGED AND COMMITTED BOARD

Active participation in and attendance at Board and committee meetings is vital for an effective governance structure. We believe that we have committed directors and this is reflected by the robust attendance record by directors for all Board and committee meetings as indicated on the adjacent table.

MEETING ATTENDANCE (FISCAL 2018)

	Status	Board	Audit and Risk and opportunity committee	Social and ethics committee
M Sacks [#]	N	2/2		
B Buló	I	2/2	2/2	2/2 [#]
J Kahn	I	2/2		
D Matjila [*]	I	0/2		
H Neishlos ^{**}	N	1/1		
R Morar	I	2/2		
V Sekese	I	2/2	2/2 [#]	2/2
C Valkin	I	2/2	2/2	2/2
M Pimstein	E	2/2		
B Sacks	E	2/2		
A Salomon	E	2/2		

[#] = Chairman E = Executive * = Resigned 15 May 2018 N = non- executive

^{**} = Appointed 10 November 2017 I = Independent non-executive

During the year the Nominations and remuneration committee's activities, as well as the Investment committee's activities were incorporated in the Group's two Board meetings

4. AN EFFECTIVE BOARD PROCESS

Informal performance evaluations of individual directors take place on an ongoing basis. A formal review by the Chairman is conducted annually. The review of the Chairman is carried out by the Lead Independent Director. The performance review of executive directors is carried out by the Board Chairman insofar as their Board performance is concerned. Performance reviews of executives are carried out by the Group's Joint CEOs as part of management's performance appraisal process and overseen by the Nominations and remuneration committee. The Group's Joint CEOs' performance review is conducted by the Nominations and remuneration committee and will also influence any potential short-term performance incentive payment, as and when we commence remuneration of executive directors.

An external performance evaluation of the Board and its committees, including at subsidiary level, will be conducted by independent consultants in the year ahead. External evaluations provide a useful independent view of the manner in which the activities of the Board can be improved. The evaluation will focus on various themes, including: strategy alignment; risk management; succession planning; Board composition and structure; Board dynamics and culture; partnership with the executive team; and efficiency of core Board processes.

5. FOCUSED AND INFORMED DELIBERATIONS

During the reporting year the Board and its committees convened meetings twice. Going forward the meetings will be held quarterly. Board teleconferences will be scheduled during the year ahead to keep the Board apprised of developments between Board meetings. Board committees and their membership have been constituted to allow for dedicated and focused deliberations regarding the various aspects of the business and material issues, supported by the relevant skills, expertise, and diversity of the committee membership. A number of directors are members of more than one committee, which facilitates integration and promotes the level of integrated thinking required to ensure that deliberations take into account the resources available and stakeholder interests. Regular presentations will be made by senior management in the Group providing directors with an opportunity to better understand, interrogate and form a first-hand view of matters under discussion. Directors also have access to external consultants and/or specific assurance providers to independently inform and advise them on their deliberations as necessary.

Governance continued

CORPORATE CITIZENSHIP

Our values support the shift in King IV towards wider stakeholder inclusivity and enhanced corporate citizenship, which underpin our reporting and engagement approach to a wider group of stakeholders. Doing business is about creating shared values and meeting responsibilities to contribute to economic development and give back to society, communities and the environment for the benefit of the wider stakeholder group.

We actively communicate and engage with our stakeholders, including the investment community, by providing updates on strategic developments and discussing issues of mutual concern/benefit (i.e. in the context of stakeholders such as partners, communities, employees).

BOARD AND COMMITTEES

The Board functions in accordance with the requirements of King IV and within the context of the Companies Act, the Listings Requirements of the JSE, rules and codes of governance and other applicable laws.

The Board is the custodian of corporate governance within the Group and leads by setting the tone at the top. Its role and responsibilities include steering the business and determining the Group's strategic direction. It is responsible to shareholders and stakeholders for sustainable performance of the Group and is committed to the retention of healthy and positive relationships with the Group's stakeholders. The Board examines and approves the strategy developed by management and considers the policies and plans which give effect to the strategy. The deliberations of the Board are guided by a Board charter and the Board committees are mandated by their respective committee terms of reference. The charters and terms of reference are reviewed and updated on an annual basis to adopt best practice and to include necessary and specific statutory requirements. During the period, the review focused on alignment with King IV. All committees reviewed their responsibilities as set out in the respective terms of reference and are satisfied that they have carried these out during the year.

The Board oversees and monitors implementation and execution by management in terms of the delegation of authority. Finally, the Board ensures accountability for the Group's performance through, among others, appropriate reporting and disclosure.

ROLES AND MEMBERSHIP OF THE BOARD AND ITS COMMITTEES

BOARD

The material issues addressed by the Board are determined by assessing the external environment, the needs and expectations of our key stakeholders, and other significant topics and/or events. Discussions held in the various committees enable the Board discussions to be more focused on strategic issues.

Key focus areas for 2018:

- Reviewed financial performance reports against agreed budgets and the prior year
- Received feedback from the Audit and Risk and opportunity committee chairman on its activities
- Considered risk management, Group capital and liquidity
- Approved the Group's Annual Integrated Report, Annual Financial Statements, interim and final results announcements and financial results
- In line with the Companies Act, reviewed the Group's solvency, liquidity and going concern status
- Executive directors engaged with various stakeholders and participated in investor roadshows and other communication initiatives. Feedback from these engagements was considered by the Board and relevant Board committees
- Approved the convening of the 2018 AGM and notice to shareholders.
- The Board's priorities for 2019 are, *inter alia*:
- Continue to build lasting partnerships and alliances with a range of stakeholders (government, business, communities and labour)
- Continue to approach B-BBEE on an inclusive, substantial and sustainable basis
- Build investor confidence by seeking solutions that strengthens our position and attractiveness in the market

The composition and membership of the various Board committees disclosed in this report are as of 31 March 2018 and were in effect during fiscal 2018. We anticipate reorganising the members of the Board committees to include *inter alia* those directors appointed during the fiscal 2018 and on 9th May 2018.

 For information on the directors' interest, refer to note 6 on page 70 of the directors' report.

AUDIT AND RISK AND OPPORTUNITY COMMITTEE

Chairman: V Sekese

Members: C Valkin; B Bulu

Executive directors also attend meetings by invitation

The Audit and Risk and opportunity committee have, for the present, been combined into a single committee. The various agendas address audit, risk and opportunity separately. Going forward the Audit committee will be split from the Risk and opportunity committee.

AUDIT COMMITTEE

The role of the Audit committee, in addition to its statutory duties in line with the Companies Act 71 of 2008, as amended, is to provide independent oversight of the effectiveness of internal financial controls and the system of internal controls. This assists the Board in monitoring the integrity of the Group's annual financial statements and related external reports. The committee further oversees the effectiveness of the Group's external and internal assurance functions and services that contribute to ensuring the integrity of the Group's financial and integrated reporting.

Internal audit

The internal audit function is outsourced to Grant Thornton PS Advisory (Grant Thornton) and operates under a defined internal audit charter as approved by the Audit committee. The charter conforms to the International Standards for the Professional Practice of Internal Auditing and code of ethics as set out by the Institute of Internal Auditors and Capital Appreciation. Grant Thornton reports functionally to the Chairman of the Audit committee. Unrestricted access to members of the Audit committee and executives of the organisation is available to the internal audit function, primarily through its chairman.

The responsibilities of the internal audit function include:

- Submitting an internal audit plan to the Audit committee that indicates the extent and frequency of the work to be conducted.
- Conducting reviews of key business processes.

Internal audit process

The scope of the internal audit activity and the assignment planned for the ensuing financial year are presented, discussed and approved at the Audit committee. The internal audit plan is based on an assessment of Capital Appreciation's key areas of

operational risk with regard to its current operations, and the key risks as identified and assessed as part of the risk management process.

Grant Thornton reports to the Audit committee as to the adequacy of the internal control environment and any significant breakdown in internal control, as well as to the adequacy and effectiveness of risk management process.

The committee has satisfied itself that the internal audit function is appropriately independent. The internal audit charter and the internal audit plan were approved by the committee and the Board.

External auditor

The committee nominated and recommended the appointment of the external auditor, Ernst & Young Inc, to the shareholders in compliance with the Companies Act and the JSE Listings Requirements and the appointment of Mr Lance Ian Neame Tomlinson as designated auditor for the 2018 financial year.

The committee satisfied itself that the audit firm and designated auditor are accredited and appear on the JSE List of accredited auditors. The committee further satisfied itself that Ernst & Young Inc was independent of the Company, which includes consideration of compliance with criteria relating to independence proposed by the Independent Regulatory Board for Auditors.

The Audit committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted audit fees.

The committee has the following responsibilities for external audit:

1. Recommends the appointment of external auditor and oversees the external audit process and, in this regard, the committee must:

- Nominate the external auditor for appointment by the shareholders
- Approve the annual audit fee and terms of engagement of the external auditor
- Monitor and report on the independence of the external auditor in the annual financial statements
- Define a policy for non-audit services and pre-approve non-audit services to be provided by the external auditor
- Ensure that there is a process for the committee to be informed of any reportable irregularities as defined in the Auditing Profession Act, 2005, identified and reported by the external auditor

Governance continued

- Review the quality and effectiveness of the external audit process
- Consider whether the audit firm and where appropriate the individual auditor that will be responsible for performing the functions of auditor are accredited as such on the JSE List of Accredited Auditors and their advisers as required by the JSE Listings Requirements.

2. The committee has applied its mind to the key audit areas and key audit matters identified by the external auditors. The committee has considered all key audit matters and is comfortable that they have been adequately addressed and disclosed.

 *For more information on items which required significant management judgement and estimates during the period, refer to note 5 on page 88 of the annual financial statements.*

Nothing has come to the attention of the committee that caused it to believe that the Group's system of internal controls and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements.

The committee is responsible for reviewing the effectiveness of systems for internal control, financial reporting and financial risk management and considering the major findings of any internal investigations into control weaknesses, fraud or misconduct and management's response thereto. The committee receives reports provided as part of the enterprise-wide risk management framework to assist in evaluating the Group's internal controls.

The committee oversees the preparation of the Company's Integrated Annual Report and the reporting process, including the system of internal financial control. During the year under review, the committee met with the external auditor without management being present.

The committee has reviewed the current performance and future requirements for the financial management of the Company and concluded that the current team has the appropriate skills, experience and expertise required to fulfil the finance function. In compliance with paragraph 3.84(h) of the JSE Listings Requirements, the committee satisfied itself of the appropriateness of the expertise and experience of the financial management team as a whole.

The committee has reviewed the performance, qualifications and expertise of the Group chief financial officer ("CFO"), Mr A C Salomon and is

satisfied with the appropriateness of the expertise and experience of the CFO.

The committee reviewed the documents prepared by management in which they assessed the going concern status of the Company and its subsidiaries at year-end and the foreseeable future. Management has concluded that the Group is a going concern. The committee resolved and recommended acceptance of this conclusion to the Board.

In the Audit committee's opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of the Company and its subsidiaries as at 31 March 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

The committee recommended the Group annual financial statements and Company annual financial statements for approval by the Board.

RISK AND OPPORTUNITY COMMITTEE

The committee also sets the direction for the manner in which risk is approached and addressed. The committee oversees and directs the Group's implementation of an effective policy and plan for risk management and compliance. This encompasses both opportunities and associated risks when developing strategy within Board approved risk tolerance and appetite levels. This review includes the potential positive and negative effects of the same risks on the achievement of the Group's strategic objectives.

Key activities for 2018:

The committee reviewed the extensive, independent legal and financial due diligence work completed prior to the acquisition of the three new subsidiaries. The due diligence reports listed the key risk areas, which provided the framework of risks reviewed during the 2018 year, as well as the risks for the year ahead.

Key focus areas for 2019:

- Approval of the Group risk appetite framework
- Review the key risk profile to ensure alignment with the Group's performance objectives and risks emanating from the strategy
- Review operational risks, including information technology
- Update of various Group risk policies
- King IV assessment, identification of relevant recommendations, and alignment of terms of reference

The Audit and Risk and opportunity committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

NOMINATIONS AND REMUNERATION COMMITTEE

Chairman: M Kahn

Member: R Morar, M Sacks

The Board will determine the remuneration of directors and executives based on recommendations made by the Nominations and remuneration committee, in accordance with the remuneration policy, as well as taking into account market conditions.

The committee is primarily responsible for assisting the Board in formulating remuneration and other employment policies as well as the remuneration philosophy of the Group and to structure appropriate remuneration packages for executive directors, based on industry standards and the best interests of all parties concerned.

The objective is to ensure that remuneration is fair and appropriate to attract, retain and motivate individuals of high calibre to run the Group successfully and to ensure that executive directors are fairly rewarded for their individual contribution to the Group's operating and financial performance in line with its corporate objectives and business strategy. No remuneration was paid to executive directors during the year under review.

The committee also assists the Board in the nomination, election, and appointment of directors and ensures that a transparent and accountable process exists to determine an optimally diverse Board and committee composition. The committee ensures there is appropriate succession planning for the Chairman and directors.

Key activities for 2018:

During the year the Nominations and remuneration committee's activities were incorporated in the Group's two Board meetings. The committee considered the nomination and appointment of Prof H Neishlos on 10 November 2017 and the four non-executive directors appointed on 9 May 2018. The committee also considered and proposed the non-executive remuneration for the 2019 year.

Key focus areas for 2019:

The 2018 financial year has been a profoundly transformative period for the Group. As we continue to evolve, the Board will develop a group

remuneration policy. It is the intention to provide shareholders at the 2019 AGM with a framework for fair and responsible remuneration aligned to King IV and the JSE listings requirements.

- Succession planning and talent management
- Review of executive directors and other senior executive management remuneration
- Review of non-executive directors' remuneration for 2019 financial year and proposal to shareholders
- Review of additional executive appointments
- Approval of the framework for fair and responsible pay aligned to King IV
- Long-term incentive scheme review including performance conditions
- Short-term incentive scheme application in the current trading environment
- King IV assessment, identification of relevant recommendations, and alignment of terms of reference

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

INVESTMENT COMMITTEE

Chairman: M Kahn

Members: B Bulu; V Sekese; C Valkin

The primary purpose of the committee is to discuss, consider and, if appropriate, approve:

- Potential acquisitions and disposals
- Due diligence reports for proposed transactions
- Review work from external advisors where appropriate
- Completed deals as necessary

In terms of the JSE Listings Requirements, the first acquisition of a viable asset was approved by the members of the Investment committee, prior to the approval of shareholders through an ordinary resolution of shareholders at a general meeting, held on 5 May 2017.

The recent performance assessment indicated that the Investment committee performed their duties and responsibilities in accordance with their charters.

Key activities for 2018:

- Reviewed the performance of recent investments against expectations and agreed benchmarks
- Considered and evaluated the viability of proposed investments and expansion opportunities

Key focus areas for 2019:

The committee will continue to consider investment opportunities for the Group.

Governance continued

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

SOCIAL AND ETHICS COMMITTEE

Chairman: B Bulu

Members: R Morar; C Valkin; M Sacks

The role of the Social and ethics committee is to ensure that the Group's activities support its intent to be a responsible corporate citizen. It further assists the Board in setting the tone for an ethical organisational culture by overseeing the Group's conduct, approach and manner in which the business is conducted with due regard to value creation in society. To achieve this, the committee addresses its statutory requirements and also assesses the trends in industry to identify areas of focus that further embed good governance.

Key initiatives for 2018:

- Progress in the alignment of the Group's practices to the requirements of the B-BBEE codes
- Promoting the code of ethics and driving ethical behaviour
- Preferential procurement, socio-economic development and enterprise development
- Promoting and protecting the environment, health and safety
- Preventing and combating bribery and corruption
- Being a good corporate citizen, particularly our efforts at protecting and advancing human rights, promoting equality and preventing unfair discrimination
- Ongoing stakeholder engagement.
- Formulating Group's Anti-bribery and Corruption Policy
- King IV assessment, identification of relevant recommendations, and alignment of terms of reference.

Key focus areas for 2019:

The committee will continue to expand and develop further the key initiatives that commenced in the 2018 financial year.

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference for the reporting period.

GROUP COMPANY SECRETARY

Horwath Leveton Boner, represented by Peter Katz is the company secretary. Mr. Katz has extensive experience as a company secretary and is actively involved in assisting the Board in its governance and compliance initiatives. The Board has unrestricted access to the advice and services of the Group

company Secretary. The Board is satisfied that the company Secretary has the appropriate qualification and experience required by the Group and as detailed in the Companies Act 2008, JSE Listings Requirements and the King IV Code to competently carry out the duties and responsibilities of Company Secretary.

ETHICS AND GOVERNANCE POLICIES

In the current climate of constant change, it is imperative to embed ethics and good governance within the business. Capital Appreciation's philosophy and policies flow through to subsidiary level and underpin behaviour and decision-making processes across the Group from recruitment and training of staff to contracting with suppliers and clients. They form a material part of each employee's future performance appraisal assessment. The Group is in the process of refining and standardising a number of governance policies on conflicts of interest, gifts, entertainment, insider trading and price-sensitive information. There is a zero-tolerance policy toward fraud, theft, corruption, or any illegal behaviour. Policies are revised as and when necessary. A training initiative will be undertaken to reinforce good governance. Aspects to be included: conflicts of interest, making risk-based decisions, human rights in a digital age, anti-bribery and corruption, cyber security, and good governance. We will continue to reinforce the governance of ethics throughout our operations and our value chain.

EVOLVING GOVERNANCE

As we continue to grow as a business, so will our governance evolve and improve. In the short-term, the evolution includes the right sizing of the governance structures as we embark on the execution of Group simplification initiatives including corporate structure and alignment of processes and policies. The governance journey continues underpinned by our value philosophy and purpose which provide a strong foundation on which to build.

RISK AND COMPLIANCE MANAGEMENT

Effective risk management is fundamental and embedded in every facet of the business activities of Capital Appreciation. The Board has committed the Group to a process of risk management that is aligned with the principles of King IV, as well as generally-accepted good risk management practices. The Board retains responsibility and accountability for the overall risk management process, setting risk appetite and tolerance limits. The Board has assigned oversight of the Group's risk management function to the Audit and Risk and opportunity committee. The Audit and Risk and opportunity committee assist the

Board in the exercise of its responsibilities of risk management. Responsibility and accountability for risk management resides at all levels within the Group, from the Board down through the organisation to each business manager. Ethical leadership is the cornerstone of Capital Appreciation's risk management philosophy as this ensures sound corporate governance.

The goal of effective risk management is to ensure that the business reaches its strategic goals, makes effective and efficient use of its operations, delivers reporting that is accurate and reliable, ensures compliance with laws and regulations and that

reputational damage to the business is avoided at all costs. The Group's internal and external auditors are tasked with rendering combined assurance reports to the Audit and Risk and opportunity committee. We recognise that maintaining and continually enhancing our risk management capabilities are critical to ensure that the Group's financial and strategic objectives are achieved within approved levels of risk appetite.

The material risks identified below have emerged from the analysis and understanding of the strategic direction of each of the underlying entities.

KEY RISKS

	Risk	Material focus area	Management commentary	Opportunity
1.	Losing key people or an inability to attract and retain the right calibre of people to the Group may negatively affect our ability to grow and prosper	People, culture, diversity, succession planning	We recognise that the challenge of attracting and retaining talented, highly educated, specialist employees is intensifying. We have a further obligation to transform Capital Appreciation in line with revised B-BBEE Codes of Good Practice. Various strategies have been put in place to ensure that we achieve these objectives.  For more information, refer to the B-BBEE discussion on page 11 and the Joint CEOs' review on page 16.	Capital Appreciation believes it has exceptional talent and commitment from its executives and employees and is initiating programmes to maintain and grow its specialist employee base in an entrepreneurial and decentralised environment.
2.	Investments that do not perform in line with expectations may affect the long term performance of the Group	Making successful acquisitions that add long-term value to the businesses	A defined working framework is in place to acquire synergistic and allied businesses. Post-acquisition reviews are conducted.	The Board of Capital Appreciation has extensive experience in mergers and acquisitions and together with outsourced specialist advisors forms a strong base for making future acquisitions. Results from the successful acquisitions made during this year have exceeded the Company's expectations. In addition to our acquisition strategy, the Capital Appreciation subsidiaries have strong organic growth prospects.

Governance continued

KEY RISKS (CONTINUED)

	Risk	Material focus area	Management commentary	Opportunity
3.	Excellence in client service is a key differentiator for the Group and underperformance against this dimension may ultimately lead to loss of clients	Providing client service excellence and exceeding client expectations	We are a client centric Group and very sensitive to meeting complex demands of our clients and focused on delivering innovative and effective technological solutions to them	Capital Appreciation is continually learning from our clients which results in new, wider and diverse revenue streams.
4.	FinTech is a dynamic and fast changing industry and it is critical to remain relevant to clients	Remaining competitive	Capital Appreciation is a highly innovative, financial technology company	Opportunities will be created by fulfilling appropriate strategies and tailor-made initiatives. Further development of our current state of the art proprietary technology platforms for services.
5.	Prolonged financial underperformance may lead to value destruction for our shareholders	Delivering sustained financial performance	The founders of Capital Appreciation have a strong track record of delivering acceptable and sustainable financial performance during periods of uncertain micro and macro-economic conditions both locally and abroad	Develop innovative solutions to stimulate our and our clients' businesses in tough economic conditions.
6.	Maintaining competitive remuneration and incentives to retain skills comes at a cost and increases the risk that profitability may not be aligned to increasing costs	Maintaining a low-cost operation in a highly innovative and complex business environment	"Brain drain" of expensive, skilled and talented people is a reality. Demand is very high for specialist people in a relatively new FinTech sector in South Africa.	Strategies have been developed to employ, incentivise and retain highly talented and skilled staff.
7.	The Group relies on its strategic partnerships and deterioration in these relationships may impact on operations	Retaining long term relationships with strategic suppliers and overseas principals	This is a cornerstone of the Group's day to day activities and is regarded as a major strength. Management is constantly challenged to nurture and grow these relationships	Regular communication and supplier interaction, focusing on the dynamic changes taking place in the markets in which we serve.



Readers are also referred to the risk management section note 34, page 103 of the annual financial statements, as well as a discussion of stakeholders risks in the stakeholder engagement section on page 53

Stakeholder engagement

The Board appreciates the importance of the goodwill of our key stakeholders for our long-term sustainability. We operate on a basis of transparency, honest engagement and mutual benefit with all stakeholders.

Capital Appreciation engages with a range of market participants to improve alignment with the interests of key stakeholders. The stakeholder groups below have been identified as core to the Company, based on the extent to which they can influence, benefit from, or be impacted by the performance or strategic direction of the Group.

Engagement enables us to identify and act upon the issues that affect our stakeholders and our business, improves our understanding of stakeholders' expectations, aspirations and interests, and strengthens the transparency and accountability through which we have established valued relationships.



CLIENTS

Nature of and strength of the relationship: We have longstanding and mutually beneficial relationships with a range of anchor clients and are constantly looking at enhancing our relationship with existing clients and securing new client relationships. Our

divisions each have key client managers who engage with clients directly and proactively look to address client needs through innovation and creating additional value-added services and solutions.

How we engage	Key areas of focus
- Regular site visits and meetings, industry conferences and exhibitions - Independent complaints channels - Client visits	Build long-term relationships with clients for the mutual benefit of both parties - Client centric ethos with an emphasis on quality execution and delivery - Expansion and deepening of client relationships and pursuit of new client engagements - We seek to add value to our clients' business
Issues raised	Our response
- Our clients need to respond to end-customers' changing needs - Our clients need innovative solutions to compete with new market entrants - Our clients need to lower cost of operations and improve service delivery - Regulatory compliance is an increasing burden and cost for our clients	Innovation lies at the core of all our initiatives. We are aware of international trends and how changing technologies are impacting the financial services industry. We are dynamic and can readily embrace and adopt new approaches to service and product delivery. We make all of these capabilities available to our clients to allow them to respond to their end-customers' needs and reduce operating costs. In addition, we seek to exceed client needs and expectations, manage our key senior relationships with strategic clients and ensure regular client engagement.
Risks	Opportunities
Financial technology is evolving rapidly. To remain relevant, we need to continue to invest in innovation and our people.	Clients continue to require innovative solutions to real business challenges. Clients' end-customer expectations continue to evolve based on consumer experiences in other areas of commerce and service. We can assist clients in advancing from the constraints of existing legacy infrastructure to new open platforms.

Stakeholder engagement continued

OUR PEOPLE

Strength of the relationship: Recent satisfaction surveys indicate high levels of job satisfaction at our subsidiaries. Our industry is characterised by exciting and innovative developments. This naturally attracts talented, curious and driven people. We continue to emphasise the marked difference individuals can have in a young, entrepreneurial and fast growing company. The benefits of ownership by a listed company should serve to further attract capable team members to our subsidiary enterprises and maintain and improve retention of the existing team.

How we engage	Key areas of focus
• Daily interaction, performance reviews, inter-company seminars, engagement sessions with managers at subsidiary companies, employee forums. • Our internal newsletter showcases important announcements and developments.	• Create and maintain a positive work environment characterised by mutual respect • Group communication to ensure good employee relationships and positive workforce • Listen to team members and proactively respond to issues raised • Market-related remuneration • Health and safety initiatives • Securing, retaining and development of necessary skills
Issues raised	Our response
• Rewards • Career development and growth • Education and training	We maintain regular and consistent interactions with our team to ensure that they are adequately challenged, continue to grow and develop and are rewarded based on key performance measures. We have an informal, hands-on managerial culture. We act in response to the feedback from our employee surveys. We continuously evaluate effective mobile and other communication tools. We have graduate recruitment programmes to maintain a pipeline for skills.
Risks	Opportunities
Need to continue to attract talented team members to support our growth	Our industry is dynamic and attractive, with above average growth prospects and interesting career opportunities. Ensuring a productive and progressive work environment will allow us to be viewed as an employer of choice

SHAREHOLDERS AND INVESTORS

Strength of the relationship: Although we are a relatively young company, we have good relationships with our anchor investors who provided us with substantial financial support when we first listed in October 2015. We continue to work on developing our relationship with other investors, both existing and prospective. There is significant focus on frequent engagement with our shareholders and prospective shareholders to educate them about the nature of the businesses as well as the growth opportunities inherent in our industry. Our objective is to provide investors with a comprehensive, transparent and objective understanding of our industry and business so that the Company's shares trade at a fair value.

How we engage	Key areas of focus
• SENS, results announcements, webcasts and conference calls, individual and Group meetings, investor days, AGM, conferences and roadshows.	• Group strategy • Market opportunity • International trends • Group performance • Significant non-financial issues
Issues raised	Our response
Further investment of capital already raised	Capital Appreciation continues to consider acquisition opportunities in South Africa, Africa and international markets as well as a range of organic growth opportunities. Acquisitive activity will be a function of both strategic fit and valuations
Share tradability	Share liquidity is improving steadily. Capital Appreciation now has a listing in a sought-after sector of the JSE and is actively educating investors about its investment case to further broaden the investor audience
Underlying businesses operate in a sector that is more difficult to understand	The Group will endeavour to improve understanding of its businesses through investor days, presentations and the Integrated Annual Report.
Concerns about the evolution of payments and technology obsolescence	• Payment devices are an integral part of the payment infrastructure and will remain very much in demand over the foreseeable future. • Our software platforms and product applications are making payment devices more powerful, more accessible to smaller merchants and more relevant in creating value opportunities for our clients and their clients too. • Many of our payment related platforms and services are device independent and, as the form of the payment infrastructure evolves, so too will our business model.
Uncertainty about future acquisitions and management's view of the prospects for an acquisition given recent share buy-back	Capital Appreciation is accomplishing what it set out to do and is acquiring excellent companies with attractive long- term growth prospects. We believe that the rate of investment is less important than making the correct investments. We believe that diligent and deliberate investment of capital will create long-term shareholder value. The acquisitions that have been made thus far, are testament to management's ability to identify and successfully acquire high quality companies that provide a strategic and synergistic fit to Capital Appreciation's stated investment objective.
Risks	Opportunities
Lack of understanding of our business and growth opportunities can impact on the valuation of the Company	An improved understanding of the nature of the businesses and the significant underlying growth opportunities in our industry should create further interest in the Capital Appreciation investment case and financial return prospects.

Stakeholder engagement continued

COMMERCIAL PARTNERS

Strength of the relationship: Strong, longstanding and mutually beneficial relationships with key commercial partners.

How we engage	Key areas of focus
Regular interaction including meetings and reciprocal site visits	• Clear communication channels with transparent understanding of respective expectations • Joint pursuit of efficiencies and opportunities of mutual interest • Sustainable support of black-owned partners
Issues raised	Our response
Growth opportunities	• Engage with partners on product innovation • Maintain supportive relationships with black-owned partners • Adherence to service level agreements
Risks	Opportunities
A breakdown in relationships with key partners could have a negative impact on the business	Partnering with highly regarded and quality domestic and international partners strengthens our brand and product offering and ensures that we are able to maintain high satisfaction levels from our clients. Partnering with smaller enterprises allows the opportunity to help develop and grow these businesses. We seek to partner with innovative entrepreneurial enterprises that have differentiated products that can benefit from our expertise, relationships and market presence.

COMMUNITIES

Strength of the relationship: Our understanding of the needs and opportunities within our communities is growing. Our social outreach programmes are expanding and having an increasing impact on our community.

How we engage	Key areas of focus
• Meetings, events, feedback reports, sponsorships	Education and skills development Seeking to create employment opportunities and prepare individuals for employment opportunities
Issues raised	Our response
• Financial support for further education • Employment opportunities • Applicability of the training provided within a jobs environment	Our current outreach programmes have proven successful in terms of its impact on the lives of underprivileged and the pipeline of skills that it makes available for our subsidiaries. We are looking to extend the programme in 2019.
Risks	Opportunities
Ensuring that our social investment remains relevant and effective in a rapidly changing technology environment	Providing our existing team members with an opportunity to give back and invest in the community they belong to Building our brand as a socially conscious and caring organisation Over the longer term provide the Group with scarce skills





CAPITAL APPRECIATION LIMITED

GROUP AUDITED ANNUAL FINANCIAL STATEMENTS '18

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Mr A Salomon (CA(SA)), Chief Financial Officer, is responsible for this set of annual financial statements and has supervised the preparation thereof in conjunction with the Financial Manager, Ms C Sacharowitz (CA(SA)).

28 May 2018

Group Company Secretary's CERTIFICATION

I, the Group Company Secretary, certify that the Company has lodged with the Registrar of Companies all such returns as are required of a public company, in terms of the Companies Act, No 71 of 2008, as amended, and that all such returns are true, correct and up to date.

A handwritten signature in black ink, appearing to read 'Horwath Leveton Boner', followed by a blue printed name 'Peter Katz'.

Peter Katz

Horwath Leveton Boner

Johannesburg

28 May 2018

Audit and risk COMMITTEE REPORT

1. MEMBERS OF THE AUDIT AND RISK COMMITTEE

The members of the audit and risk committee are all independent, non-executive directors of the Group and include:

Name	Qualification
Victor Sekese (Chairman)	BComm (Wits), BAcc (Wits), CA(SA)
Bukelwa Bulu	BBusSc (UCT), CA(SA)
Charles Valkin	BComm LLB (Wits), H Dip Tax (Wits)

The Board is satisfied that the members of the audit and risk committee have the required knowledge and experience as set out in Section 94(5) of the Companies Act, 71 of 2008 and Regulation 42 of the Companies Regulation, 2011.

2. MEETINGS HELD BY THE AUDIT AND RISK COMMITTEE

The audit and risk committee performs the duties set out in section 94(7) of the Companies Act, 71 of 2008, holding sufficient scheduled meetings to discharge its duties, subject to a minimum of two meetings per year. Two audit and risk committee meetings were held during the year. Unrestricted access is granted to the external auditors.

3. EXTERNAL AUDITOR

The audit and risk committee has satisfied itself through enquiry that the external auditors are independent as defined by the Companies Act, No 71 of 2008 and as per the standards stipulated by the auditing profession. Requisite assurance was sought in terms of the Companies Act, 71 of 2008 that internal governance processes within the audit firm support and demonstrate their claim to independence.

The audit and risk committee in consultation with executive management, agreed to the terms of the engagement. The audit fee for the external audit has been considered and approved taking into consideration such factors as the timing of the audit, including scope of the work required.

4. STATEMENT OF INTERNAL CONTROLS

Grant Thornton PS Advisory Proprietary Limited was appointed as the internal audit service provider for the 2017/2018 financial year. Grant Thornton has issued the following certificate.

"Based upon the internal audit work performed during the 2017/2018 financial year, as per our approved internal audit plan, we can conclude that the system of internal financial controls in operation at Capital Appreciation Limited and its subsidiaries, is adequate and operating effectively."

5. FINANCIAL STATEMENTS

Following the review of the annual financial statements, the audit and risk committee recommends the Board approval thereof.

On behalf of the audit and risk committee



Victor Sekese

Chairman audit and risk committee

Johannesburg

28 May 2018

Directors' responsibilities AND APPROVAL

The directors are required in terms of the Companies Act, No 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards and the Companies Act requirements. The external auditor is engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and places considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group, and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that, in all reasonable circumstances, is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

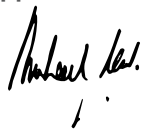
The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the Group's cash flow forecast for the year to 31 March 2019 and, in the light of this review and the current financial position, they are satisfied that the Group has or will have access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently auditing and expressing an opinion on the Group's financial statements. The financial statements have been examined by the Group's external auditors and their report is presented on pages 63 to 65.

The financial statements set out on pages 72 to 77, which have been prepared on the going concern basis, were approved by the Board on 15 May 2018 in accordance with section 30(3)(c) of the Companies Act, 71 of 2008 and were signed on their behalf by:

Approval of financial statements



Michael (Motty) Sacks
Chairman



Michael Pimstein
Joint Chief Executive Officer



Alan Salomon
Chief Financial Officer



Bradley Sacks
Joint Chief Executive Officer

Independent AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CAPITAL APPRECIATION LIMITED

Report on the audit of the Group annual financial statements

Opinion

We have audited the Group annual financial statements of Capital Appreciation Limited set out on pages 72 to 105, which comprise the statement of financial position as at 31 March 2018, and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and notes to the Group annual financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the Group financial statements present fairly, in all material respects, the financial position of the Group as at 31 March 2018, and its Group financial performance and Group cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "auditor's responsibilities for the audit of the Group financial statements" section of our report. We are independent of the Group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code), the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and other independence requirements applicable to performing audits of Capital Appreciation Limited. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code, IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of Capital Appreciation Limited. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group financial statements of the current period. These matters were addressed in the context of our audit of the Group financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "auditor's responsibilities for the audit of the financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter

How the matter was addressed in the audit

Business acquisitions and purchase price allocation

On 5 May 2017, Capital Appreciation acquired the following businesses:

- African Resonance Solutions Proprietary Limited for a purchase price of R485.9 million;
- Rinwell Proprietary Limited, the sole shareholder of Dashpay Proprietary Limited, for a purchase price of R237.5 million; and
- Synthesis Software Technologies Proprietary Limited (Synthesis) for a purchase price of R165.2 million.

The Group prepared, with the help of valuation specialists, a purchase price allocation for these acquisitions, by which the purchase price is allocated to the assets and liabilities of the respective acquired company. This requires significant management judgement and estimates.

The acquisitions and the purchase price allocation are disclosed in note 5 of the Group annual financial statements.

Our procedures included the following:

- Reading the sale/purchase agreements
- Reviewing the amounts that are included in the purchase consideration and evaluating whether they can be included as purchase consideration as per the requirements of IFRS 3 – Business Combinations
- With the involvement of EY internal valuation specialists, assessed the appropriateness of the methodology applied by management in determining the fair valuation of acquired intangible and other assets and liabilities
- Evaluating the key assumptions used in the purchase price allocation, including discount rates, cash flow projections and useful lives assigned

Furthermore, we assessed the adequacy of the disclosures in the financial statements regarding these acquisitions.

Independent AUDITOR'S REPORT *continued*

Key audit matter	How the matter was addressed in the audit
Goodwill impairment At 31 March 2018 the Group's goodwill and intangible assets balance is valued at R728.6 million and R71.5 million respectively. This was partly as a result of the acquisitions made in the current year. Under IFRS, the Group is required to annually test for impairment of goodwill. This review contains a number of assumptions that are subject to significant judgements and estimates, including growth rates and weighted average cost of capital, which are affected by expected future market conditions. The disclosures are made in notes 4 and 5 of the Group annual financial statements.	Our procedures included the following: We focused our testing on the key assumptions made by management and our procedures included: • Evaluating the determination of the cash-generating units • We evaluated the discounted cash flow models used in determining the value in use of the cash-generating units, by performing sensitivity analyses around the key assumptions including weighted average cost of capital and growth rates used in the models • We considered that the disclosures highlight the key sensitivities used by management in its sensitivity analysis
Other information	
The directors are responsible for the other information. The other information comprises the Group Company Secretary's certification, audit and risk committee's report, directors' responsibilities and approval and the directors' report as required by the Companies Act, which we obtained prior to the date of this report, and the Integrated Annual Report, which is expected to be made available to us after that date. Other information does not include the Group financial statements and our auditor's report thereon.	
Our opinion on the Group financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.	
In connection with our audit of the Group financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Group financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.	
If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.	
When we read the Integrated Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.	
Responsibilities of the directors for the Group financial statements	
The directors are responsible for the preparation and fair presentation of the Group financial statements in accordance with IFRS and the requirements of the Companies Act, and for such internal control as the directors determine is necessary to enable the preparation of Group financial statements that are free from material misstatement, whether due to fraud or error.	
In preparing the Group financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.	
Auditor's responsibilities for the audit of the Group financial statements	
Our objectives are to obtain reasonable assurance about whether the Group financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Group financial statements.	

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Group financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Group financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the Group financial statements, including the disclosures, and whether the Group financial statements represent the underlying transactions and events in a manner that achieves fair presentation
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the directors, we determined those matters that were of most significance in the audit of the Group financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in *Government Gazette Number 39475* dated 4 December 2015, we report that Ernst and Young Inc. has been the auditor of Capital Appreciation Limited for three years.



Ernst & Young Inc.

Director – Lance Ian Neame Tomlinson

Registered Auditor

Chartered Accountant (SA)

Date: 28 May 2018

Directors' REPORT

SALIENT FEATURES

- Completed viable asset acquisitions
- Revenue of R571.3 million
- Operating profit of R162.3 million
- Headline earnings of R143.4 million, up 265%
- HEPS of 9.53 cents, up 204%
- Normalised HEPS of 10.12 cents
- Cash generated from operating activities of R166.9 million
- Cash conversion rate of 116% of profits after tax
- R513.2 million cash available for reinvestment
- Transferred to the "Software and Computer Services" sector of the Main Board of the JSE

1. INTRODUCTION

Shareholders and investors who have been tracking the Group since its initial capital raising in October 2015 will, no doubt, conclude that the 2018 financial year was a significantly transformative period for the Group. Not only were certain viable asset acquisitions concluded but, more importantly, each of the acquisitions have successfully fulfilled their commencing expectations, as evidenced in this set of results. Having regard to the nature of the operating businesses acquired, the Group's Main Board listing on the JSE was transferred to the Software and Computer Services sector.

Given that the viable asset acquisitions were only approved by the Group shareholders on 5 May 2017, it should be noted that these consolidated financial results reflect 12 months of net investment income earned by the Group for the year ended 31 March 2018, but only 11 months of trading performance for the acquired businesses.

The Board is pleased to present these results as they reveal both solid trading performance and the appropriateness of the consideration paid for the businesses acquired.

Nature of business

Capital Appreciation ("the Group") owns, manages, invests in, and promotes established and developing financial technology ("FinTech") enterprises, their platforms, solutions, products and applications. The Group has two business segments – Payments & Payment Infrastructure and Software & Services. African Resonance and Dashpay comprise the Payments & Payment Infrastructure division and Synthesis comprises the Software & Services division. African Resonance is a leading provider of payment infrastructure and related technology solutions to established financial institutions, emerging payment service providers, the hospitality industry and both directly and indirectly to the entire retail sector in general. Dashpay is positioned to provide innovative transaction processing services, solutions and products focused on Business-to-Business ("B2B") commercial and payment activity. The Dashpay solution set is intended to complement payment services provided by the Group's established banking and institutional client base. Synthesis is a highly specialised software and systems developer, offering consulting, integration services and technology-based product solutions, to banking and other financial institutions in South Africa and other emerging markets. Resonance Australia is an associate company investment in which the Group owns 17.45%. Resonance Australia is still in its early stages of development but, when operational, will employ a business model similar to that which Dashpay operates in South Africa.

Each of these subsidiaries has made excellent progress in their first period under the Group banner and, going forward, collectively are likely to benefit from both (i) expanding demand from the institutional/corporate sector; and (ii) demand created through Government's new focus, support and development for small and medium enterprises ("SMEs"), a rapidly emerging and welcome transformational sector in South Africa and elsewhere on the continent.

Further details of the nature of these businesses are available on the Group's website, at www.capitalappreciation.co.za.

Operating environment

Shareholders and investors will be more than mindful of the general economic challenges and political uncertainties that faced South Africa during this past year, exacerbated by low economic growth and rising unemployment. These conditions, not unexpectedly, impact disposable incomes and generally weigh heavily on the national retail sector and number of new merchants looking for card acceptance and terminal services. The Group's Payments & Payment Infrastructure business is directly impacted by its clients' exposures to the retail sector. The Group's banking clients, as did companies in other commercial sectors, generally adopted a more judicious approach to expansion and capital expenditure in light of these economic challenges.

In the Software & Services business, the significant and growing movement towards digitisation and new product and service distribution models has made the need for cost-saving digitisation initiatives more urgent. Budgetary constraints, however, moderated the extent of these initiatives.

Notwithstanding these patterns of caution and control, the Group's subsidiaries, in each case, successfully managed to expand the scope of their business with existing clients and, given their well-established track record of quality and efficient service, have also been able to attract new clients. This collectively enhanced and contributed to the Group's robust growth.

Summarised financial results

The Group's operating subsidiaries generated gross revenues for the year of R571.3 million (2017: R80.2 million). Profit before taxation amounted to R200.0 million (2017: R60.3 million), with profit after taxation being R142.9 million (2017: R39.2 million). Headline earnings for the year increased by 265% to R143.4 million (2017: R39.2 million) translating into earnings per share ("EPS") and headline earnings per share ("HEPS") for the year of 9.49 cents per share and 9.53 cents per share respectively, an increase of 202.0% and 203.5% relative to the EPS and HEPS of 3.14 cents in the previous year. The Group also reports on normalised headline earnings per share ("NHEPS") which, together with earnings before interest, taxation, depreciation and amortisation ("EBITDA"), are the primary measures used by management to assess the Group's underlying financial performance. NHEPS comprises HEPS adjusted for the after-tax amortisation arising from the value attributed to intangible assets that arose in connection with the viable asset acquisitions. The Group generated EBITDA of R176.5 million (2017: R19.8 million loss) and NHEPS for the year of 10.12 cents (2017: 3.14 cents), an increase of 222.3% on the prior year.

During the year, the Group was exceptionally cash generative, with cash generation of 116.8% of the 2018 profits after tax. This characteristic of the Group's operational enterprises is well reflected in the Group's cash resources at 31 March 2018 of R513.2 million. This amount, when compared to the Group's cash resources at 31 March 2017, is after payment of the net cash portion of the viable asset acquisitions, the payment of an interim dividend in December 2017, the buy-back of 55.6 million Group shares at an average price of 74.4 cents, the payment of 2018 provisional taxes, and several other cash applications reflected elsewhere in this announcement. Based on the closing share price of a Group share on 31 March 2018 of 80 cents, 43% of that price is represented by cash. The Group's cash resources will be applied, in the first instance, to fund anticipated organic growth and thereafter to pursue or supplement the cost of new, but complementary, acquisition opportunities.

Divisional review

African Resonance and Dashpay, as described earlier, comprise the Payments & Payment Infrastructure division of the Group.

African Resonance primarily sells, distributes, maintains, rents and manages payment devices to, for and on behalf of its banking and institutional clients. African Resonance has a distribution agreement with terminal manufacturer, Ingenico (France), a relationship that has developed with reciprocal respect and advantage since the formation of African Resonance in 2003. This division has performed exceptionally well, more than doubling the number of terminals previously managed and serviced. Terminal procurement and deployments by various banking clients during the year increased by c.43 000 units. When added to the number of terminals in the field at the date of acquisition, African Resonance today manages c.75 000 Ingenico terminals in the overall terminal fleet.

Dashpay was initially conceived as a traditional merchant acquirer when first established in 2013. Since that time, a significant amount has been invested in the development of Dashpay's systems and technology, with further resources being allocated to complete its exclusively licensed, unique and unrivalled, multi-product, multi-party, universal transacting platform. Dashpay is now positioned to provide innovative transaction processing services, solutions and products focused on B2B and Business-to-Business-to-Commercial ("B2B2C") and payment activity. The Dashpay platform, ecosystem and solution set are intended to complement the traditional payment services provided by the Group's established banking and institutional client base, are device agnostic and integrate seamlessly with existing legacy systems. Moreover, Dashpay services are ideally suited to serving the rapidly changing needs for secure payment systems and financial management across Africa.

The Payments & Payment Infrastructure division generated turnover of R415.1 million and a profit after tax of R111.0 million. For the past four years the division has experienced a compound annual growth rate in operating profit of more than 241%, albeit off a low starting base. The current year's performance has outperformed the results of the due diligence review concluded at the time of the acquisitions. We extend our compliments to Professor Neishlos and the Payments & Payment Infrastructure team for the impressive outcome.

Directors' REPORT *continued*

Synthesis is the Software & Services business that offers highly specialised software development, consulting and integration services and technology-based solutions to banking and other financial institutions in South Africa and other emerging markets.

In addition to its current offerings, Synthesis is making considerable effort in research and development to deliver on the next phase of technological advancement, which could include any of machine learning, artificial intelligence, big data, blockchain technology, and more. Commercial exploration continues in these areas. Synthesis generated turnover of R94.7 million and a profit after tax of R23.8 million. This revenue was ahead of expectation, suggesting that their profit warranty threshold will be attained at the end of fiscal 2020. The division has consistently generated solid earnings, with a compound annual growth rate in operating profit of 28% per annum for the past four years.

Resonance Australia's planned budgeted development and administration costs for the period translated into Group's attributable share of loss of R958 211, which is appropriately reflected as a separate item in the statement of comprehensive income. The Board is satisfied with the positive and evolving activity in Australia, and further information on the Company's progress will be reported on in the normal course.

Prospects

No-one can deny that new and innovative technologies continue to impact our daily lives, and it seems that new tools, new system and software design, new communicative devices and other inventive applications, will continue to transform and impact today's traditional human and commercial behaviour. The Group, with its inspired, creative and innovative executive teams, will continue to develop new and effective services, solutions, systems, products and applications, in association with our existing and future institutional clients, to meet the demands of their customers. This includes parties seeking efficient and affordable models for financial inclusion of persons previously unserved or ill-served. We are pleased that the differentiated capabilities of the Group's operating subsidiaries are being recognised by their principal clients.

The organic growth potential is large and compelling, and while we expect continued growth in our underlying businesses, the sector also presents several interesting acquisition opportunities. These will also include opportunities for the expansion and technology transfer of our business models into new markets. There is more confidence in the economy at this time than that experienced in recent years, and the Board is cautiously confident in suggesting better times ahead.

Changes to Board of Directors

Professor Hanoch Neishlos, the founder of African Resonance, was appointed to the Group Board on 10 November 2017. No other changes took place prior to 31 March 2018. On 9 May 2018, four new director appointments were announced on SENS, those being Mr Kuseni Dlamini, Mr Errol Kruger, Ms Mathukana Mokoka and Mr Eitan Neishlos. Simultaneously, Dr Dan Matjila resigned as a director. We welcome our new appointees to the Board and take this opportunity, once again, to express our sincere thanks to Dr Matjila for his valuable contribution and guidance during his term in office.

2. AUTHORISED AND ISSUED SHARE CAPITAL

At 31 March 2018, the authorised share capital of the Group comprises 10 000 000 000 ordinary shares of no par value and 4 000 constituent ordinary shares of no par value. The issued share capital of the Group comprises 1 555 000 000 ordinary shares of no par value (2017: 1 250 000 000) and nil constituent ordinary shares of no par value (2017: 4). Given the acquisition of the viable assets on 5 May 2017, the Group no longer is categorised as an SPAC, and accordingly the authorised and issued share capital is no longer redeemable and is now described as ordinary shares of no par value.

3. DIVIDENDS

An interim dividend of 2 cents per ordinary share (gross) was declared during the year amounting to R30.4 million (2017: Nil).

4. MATERIAL RESOLUTIONS

The following resolutions were passed during the year:

Board resolutions

- 12 July 2017, authorisation granted to sign the JSE Annual Compliance Certificate
- 10 November 2017, approval of appointment of H Neishlos as a director of the Group
- 17 November 2017, authority granted to any two of M Sacks, B Sacks, A Salomon and M Pimstein to effect the opening of a Computershare Dividend Trust Account
- 13 November 2017, approved an interim dividend of 2 cents per share payable to shareholders on 4 December 2017
- 1 December 2017, authority granted to any two of M Sacks, B Sacks, A Salomon and M Pimstein to sign resolutions and documentation for the general day-to-day running of the Group
- 13 February 2018, authority granted to enter into a Suretyship Agreement with the Group's wholly owned subsidiary, CAPPREC Management Services Proprietary Limited, for the Offer to Lease premises, situated at 61 Katherine Street, Sandton

Shareholders' ordinary resolutions

- 10 August 2017, approval of the annual financial statements as at 31 March 2017
- 10 August 2017, re-election of V Sekese, B Bulu and C Valkin as members and V Sekese as Chairman of the audit and risk committee
- 10 August 2017, re-appointment of Ernst & Young Inc. as external auditors of the Group
- 10 August 2017, general authority was granted to issue shares for cash

Shareholders' special resolutions

- 10 August 2017, approval of non-executive directors' remuneration
- 10 August 2017, authority granted for the repurchase of the Company's ordinary shares
- 10 August 2017, authority granted to provide financial assistance to subsidiaries and other related and interrelated entities

5. DIRECTORATE

The names of the directors and the number of meetings attended by each of the directors up until the date of this report, are as follows:

Directors	Appointment date	Board	Audit and Risk committee
Non-executive			
M Sacks (Chairman)	03 Mar 15	2/2	
B Bulu	15 Sep 15	2/2	2/2
J Kahn	15 Sep 15	2/2	
D Matjila	15 Sep 15	0/2	
H Neishlos	10 Nov 17	1/1	
R Morar	15 Sep 15	2/2	
V Sekese	15 Sep 15	2/2	2/2
C Valkin	15 Sep 15	2/2	2/2
Executive			
M Pimstein	03 Mar 15	2/2	
B Sacks	19 Mar 15	2/2	
A Salomon	03 Mar 15	2/2	By invitation 2/2

On 10 November 2017, H Neishlos, the major vendor of African Resonance Proprietary Limited, was appointed to the Board as a non-executive director. There were no other changes to the Board during the year under review.

Directors' REPORT continued

6. DIRECTORS' SHAREHOLDING

The individual interests declared by the current directors and officers held in the Group share capital as at 31 March 2018 are as follows:

	2018		2017	
	No. of ordinary shares	No. of constituent ordinary shares	No. of ordinary shares	No. of constituent ordinary shares
Beneficial directors				
J Kahn	3 600 000	-	3 600 000	-
R Morar	100 000	-	100 000	-
H Neishlos	204 500 000	-	-	-
M Pimstein	59 003 542	-	55 903 542	1
B Sacks*	70 833 333	-	70 833 333	1
M Sacks	44 073 750	-	40 973 750	1
A Salomon	56 903 542	-	55 903 542	1
C Valkin	250 000	-	250 000	-
Total	439 264 167	-	227 564 167	4

* Held through Centric Capital Venture LLC.

7. DIRECTORS' REMUNERATION

The remuneration paid to directors while in office in the Group during the year ended 31 March 2018 is as follows:

	2018 R	2017 R
Non-executive directors		
B Bulu	80 000	90 000
J Kahn	45 000	60 000
D Matjila	-	20 000
R Morar	45 000	20 000
H Neishlos	25 000	-
M Sacks	-	-
V Sekese	80 000	90 000
C Valkin	80 000	90 000
Total	355 000	370 000

The directors' remuneration was approved by special resolution at the Annual General Meeting held on 10 August 2017.

No remuneration was paid to executive directors and M Sacks, has waived his remuneration as a non-executive director.

8. DIRECTORS' AND OFFICERS' DISCLOSURE OF INTEREST IN CONTRACTS

During the current and prior financial years, no contracts were entered into in which directors and officers of the Group had an interest and would significantly affect the business of the Group. The directors have no interest in any third party or Company responsible for managing any of the business activities of the Group.

9. SHAREHOLDERS

Shareholders with a holding greater than 5% in the Company share capital as at 31 March 2018 are as follows:

Shareholder	% held	
	2018	2017
Government Employees Pension Fund	21.44	26.67
H Neishlos	13.15	-
CAET Holdings Proprietary Limited	4.82	6.00
Centric Capital Venture LLC	4.56	5.67

10. SHARE OPTION PLAN

12 975 000 share options were granted under the Capital Appreciation Limited Share Option Scheme during the current year. No share options were granted in the prior year.

11. YEAR END

The Group's year-end is 31 March. As acquisitions of Payments & Payment Infrastructure and Software & Services businesses became unconditional on 5 May 2017, only 11 months of trading of these businesses have been brought into the statement of comprehensive income.

12. GOING CONCERN

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

13. DATE OF ISSUE OF ANNUAL FINANCIAL STATEMENTS

The audited annual financial statements were approved by the Board of Directors on 28 May 2018. The Board also authorised the issue of the audited annual financial statements and approval was granted to allow the Board to amend the audited annual financial statements after the date of issue.

14. AUDITORS

Ernst & Young Inc. will continue in office in accordance with section 90 of the Companies Act, 71 of 2008.

Group statement of FINANCIAL POSITION

at 31 March 2018

Figures in Rand	Notes	2018	2017
ASSETS			
Property, plant and equipment	3	15 275 684	211 725
Intangible assets	4	71 452 462	-
Goodwill	5	728 577 776	-
Other financial assets	6	17 625 214	-
Investment in associates	7	28 788 310	-
Deferred tax	8	2 643 528	-
Non-current assets		864 362 974	211 725
Inventories	9	21 320 108	-
Trade and other receivables	10	68 034 527	589 232
Loan to associate	11	4 512 392	-
Taxation receivable		307 957	247 229
Cash and cash equivalents	12	513 169 862	1 047 788 681
Current assets		607 344 846	1 048 625 142
Total assets		1 471 707 820	1 048 836 867
EQUITY AND LIABILITIES			
Capital and reserves			
Share Capital	14	1 211 781 099	1 000 002 500
Constituent ordinary share capital		-	4 000 000
Share based payment reserve	15	250 500	-
Contingent consideration reserve	16	24 900 000	-
Retained income		155 355 981	38 820 070
Total equity		1 392 287 580	1 042 822 570
Deferred revenue	17	7 066 667	-
Contingent consideration	16	8 689 618	-
Deferred tax	18	19 931 987	-
Non-current liabilities		35 688 272	-
Trade and other payables	19	33 091 148	6 014 297
Other financial liabilities	20	2 989 613	-
Deferred revenue	17	1 325 000	-
Taxation payable		6 326 207	-
Current liabilities		43 731 968	6 014 297
Total equity and liabilities		1 471 707 820	1 048 836 867

Group statement of COMPREHENSIVE INCOME

for the year ended 31 March 2018

Figures in Rand	Notes	2018*	2017
REVENUE	22	571 266 306	80 172 952
Turnover	23	508 203 850	
Cost of sales		(264 578 499)	
Gross profit		243 625 351	-
Other income	24	23 625 187	-
Operating expenses	25	(88 961 943)	(5 014 412)
Trading profit		178 288 595	(5 014 412)
Share-based payment expense		(250 500)	-
Depreciation		(2 743 109)	(69 339)
Amortisation of intangibles		(12 431 375)	-
Acquisition costs		(567 799)	(14 774 993)
Operating profit		162 295 812	(19 858 744)
Finance income	26	39 437 269	80 172 952
Finance costs	27	(785 056)	-
Equity accounted loss in associate		(958 211)	-
Profit before taxation		199 989 814	60 314 208
Taxation	27	(57 053 903)	(21 109 406)
Profit after taxation	28	142 935 911	39 204 802
Other comprehensive income		-	-
Total comprehensive income for the year		142 935 911	39 204 802
Basic earnings per share (cents)	33	9.49	3.14
Diluted basic earnings per share (cents)	33	9.33	3.14

* The financial information for the Payments & Payment Infrastructure and Software & Services divisions represents trading for 11 months, as the acquisitions became unconditional on 5 May 2017.

Group statement of CHANGES IN EQUITY

for the year ended 31 March 2018

Figures in Rand	Ordinary share capital	Constituent ordinary share capital	Constituent costs	Share-based payment reserve	Contingent consideration reserve	Retained income	Total equity
Balance at 1 April 2016	1 000 002 500	4 000 000	(22 543 311)			22 158 579	1 003 617 768
Total comprehensive income for the year ended 31 March 2017						39 204 802	39 204 802
Transfer of constituent costs to retained income			22 543 311			(22 543 311)	-
Balance at 31 March 2017	1 000 002 500	4 000 000	-	-	-	38 820 070	1 042 822 570
Issue of ordinary share capital	253 150 000						253 150 000
Repurchase of constituent ordinary share capital		(4 000 000)				4 000 000	-
Share-based payment reserve				250 500			250 500
Contingent consideration reserve					24 900 000		24 900 000
Purchase of treasury shares	(41 371 401)						(41 371 401)
Cash dividend paid						(30 400 000)	(30 400 000)
Total comprehensive income for the year ended 31 March 2018						142 935 911	142 935 911
Balance at 31 March 2018	1 211 781 099	-	-	250 500	24 900 000	155 355 981	1 392 287 580

Group statement of CASH FLOWS

for the year ended 31 March 2018

Figures in Rand	Notes	2018	2017
Cash flow from operations	29.1	166 936 511	(18 770 820)
Finance income received		39 427 325	80 166 500
Finance costs paid		(248 493)	-
Dividends paid		(30 400 000)	-
Taxation paid		(61 154 563)	(21 442 419)
Net cash flow from operating activities		114 560 780	39 953 261
Cash flows from investing activities			
Acquisition of property, plant and equipment		(4 872 247)	(184 984)
Proceeds on disposal of property, plant and equipment		405 074	-
Acquisition of intangible assets		(182 160)	-
Acquisition of subsidiary net of cash acquired		(553 009 486)	-
Acquisition of associate		(30 206 520)	-
Loan to associate		(5 024 791)	-
Repayment of loans		4 153 532	-
Net cash flow from investing activities		(588 736 597)	(184 984)
Cash flows from financing activities			
Repayment of loans	29.2	(19 071 601)	-
Purchase of 55 620 000 treasury shares		(41 371 401)	-
Net cash flow from financing activities		(60 443 002)	-
Net (decrease)/increase in cash and cash equivalents		(534 618 819)	39 768 277
Cash and cash equivalents at beginning of year		1 047 788 681	1 008 020 404
Cash and cash equivalents at end of year		513 169 862	1 047 788 681

Consolidated SEGMENT ANALYSIS

for the year ended 31 March 2018

	Payments & Payment Infrastructure ¹		Software & Services ¹	
Figures in Rand	2018	2017	2018	2017
Revenue ²	443 000 318	-	93 775 207	-
Turnover ³	415 105 927	-	93 097 923	-
Trading profit/(loss)	151 983 411	-	33 637 947	-
Depreciation	(2 231 340)	-	(423 576)	-
Amortisation of intangibles	-	-	(269 042)	-
Operating profit	149 483 029	-	33 214 370	-
Profit after taxation	111 024 267	-	23 783 189	-
Total assets	120 872 337	-	34 890 492	-
Total liabilities	31 037 414	-	16 177 317	-
Net assets	89 834 922	-	18 713 176	-

¹ The financial information for the Payments & Payment Infrastructure and Software & Services divisions represents trading for 11 months, as the acquisitions became unconditional on 5 May 2017.

² Refer to note 22 for a breakdown of the type of revenue.

³ Refer to note 23 for a breakdown of the type of turnover.

The Payments & Payment Infrastructure business provides a variety of technology solutions, services and related technical support services to financial institutions and others in the financial services sector. The Software & Services business addresses the complex technology needs of financial institutions.

Corporate		Group	
2018	2017	2018	2017
34 490 781	80 172 952	571 266 306	80 172 952
-	-	508 203 850	-
(7 332 763)	(5 014 412)	178 288 595	(5 014 412)
(88 193)	(69 339)	(2 743 109)	(69 339)
(12 162 333)	-	(12 431 375)	-
(20 401 587)	(19 858 744)	162 295 812	(19 858 744)
8 128 455	60 314 208	142 935 911	60 314 208
1 315 944 991	1 048 836 867	1 471 707 820	1 048 836 867
32 205 509	6 014 297	79 420 240	6 014 297
1 283 739 482	1 042 822 570	1 392 287 580	1 042 822 570

Notes to the FINANCIAL STATEMENTS

for the year ended 31 March 2018

Accounting policies

1. PRESENTATION OF FINANCIAL STATEMENTS

The Group annual financial statements for the year ended 31 March 2018 have been prepared in compliance with the Listings Requirements of the JSE Limited, the requirements of the International Financial Reporting Standards, SAICA Financial Reporting Guidelines as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council and the Companies Act, No 71 of 2008. The accounting policies are consistent in all material respects with those applied in the previous financial year, except for the change in presentation in note 26. The Board of Directors takes full responsibility for the set of financial results which have been prepared by A Salomon CA(SA), Chief Financial Officer, who supervised the preparation thereof in conjunction with the Financial Manager, C Sacharowitz CA(SA).

Basis of consolidation

The Group financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement(s) with the other vote holders of the investee;
- rights arising from other contractual arrangements; and
- the Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Group financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-Group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is used in the formation of estimates. Actual results in the future could differ from these estimates, which may be material to the financial statements.

Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Due to our appointment on the Board, we have deemed that to be significant influence.

Property, plant and equipment

The useful lives of assets are based on management's estimation. Management considers the impact of changes in technology, service requirements, availability of capital funding and required return on assets and equity to determine the optimum useful life expectation of each individual item of equipment. The estimation of residual values of assets is based on management's judgement of whether the assets will be sold and what their condition will be at that time.

Goodwill

Goodwill is tested on an annual basis for impairment. The recoverable amount of goodwill was calculated by determining its value through the discounted cash flow method. Assumptions regarding future growth in profitability, cash applied to the businesses and the free cash generated by the businesses were discounted using the appropriate risk-adjusted rate.

Deferred tax assets

Deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Future taxable profits are estimated based on business plans which include estimates and assumptions regarding economic growth, inflation, taxation rates and competitive forces. Refer to note 8 for details of unrecognised tax losses.

1.2 Property, plant and equipment

Property, plant and equipment are tangible assets which the Group holds for its own use and which are expected to be used for more than one period.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the Group, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition. Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the Group. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of property, plant and equipment have been assessed as follows:

Item	Average useful life
Office equipment	3 – 5 years
Computer equipment	3 – 5 years
Furniture and fixtures	3 – 6 years
Motor vehicles	3 – 5 years

This is depreciated using the straight-line method.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

1.3 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed every period end.

Notes to the FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Average useful life
Computer software	3 years
Customer web portal	3 years
Intangible asset recognised on acquisition of businesses:	
Computer software	3 – 5 years
Customer relationships	4 – 8 years

1.4 Impairment of non-financial assets

The Group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. During the period there were no indicators of impairments.

The Group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.5 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured, and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 – Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IAS 39. Other contingent consideration that is not within the scope of IAS 39 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed, and reviews the procedures used to measure the amounts to be recognised at the acquisition date.

If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit.

1.6 Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity.

Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognises the loss within share of profit of an associate and a joint venture in the statement of profit or loss.

1.7 Financial instruments

Initial recognition and measurement

Financial instruments are recognised initially when the Group becomes a party to the contractual provisions of the instruments. The Group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

The Group's financial assets include accounts receivables and cash and cash equivalents.

The Group's financial liabilities include accounts payable which is classified as financial liabilities at amortised cost.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Impairment of financial assets

At each reporting date the Group assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

Notes to the FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

Impairment losses are recognised in profit or loss. Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Loans and receivables

Loans and receivables are measured at initial recognition at fair value plus transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Accounts receivable and other financial assets are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value plus transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently measured at fair value.

1.8 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities/(assets) for the current and prior periods are measured at the amount expected to be paid to/(recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.9 Operating leases

Leases of assets under which the lessor effectively retains all the risks and benefits of ownership are classified as operating leases. Lease payments arising from operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

1.10 Inventories

Inventories are measured at the lower of cost and net realisable value in the ordinary course of business, on the first-in-first-out basis.

1.11 Share capital and equity

All shares are classified as equity. Incremental costs directly attributable to the issue of the all shares are recognised as a deduction from equity, net of any tax effects, if applicable.

1.12 Employee benefits***Short-term employee benefits***

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave and bonuses), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Share-based payments

Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model, further details of which are given in note 15.

That cost is recognised in employee benefits expense (note 25), together with a corresponding increase in equity (other capital reserves), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (further details are given in note 15).

Notes to the FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

1.13 Provisions and contingencies

Provisions are recognised when:

- the Group has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

1.14 Revenue

Revenue from the sale of terminals is recognised when all the following conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

Maintenance and support service fees are included in the price of the product and are recognised as revenue over the period during which the service is performed.

1.15 Related parties

Related parties are entities which have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Key management is defined as individuals with the authority and responsibility for planning, directing and controlling the activities of the entity. All individuals from the level of executive management up to the Board of Directors are regarded as key management per the definition of the standard. Close family members of key management personnel are considered to be those family members who may be expected to influence, or be influenced by key management individuals in their dealings with the entity.

Other related party transactions are also disclosed in terms of the requirements of IAS 24.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

In the current period, the Group has adopted the following standards and interpretations that are effective for the current financial period and that are relevant to its operations:

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendment requires entities to provide additional disclosures for changes in liabilities arising from financing activities.

Specifically, entities are now required to provide disclosure of the following changes in liabilities arising from financing activities:

- changes from financing cash flows;
- changes arising from obtaining or losing control of subsidiaries or other businesses;
- the effect of changes in foreign exchanges;
- changes in fair values; and
- other changes.

The effective date of the amendment is for years beginning on or after 1 January 2017.

The Group has adopted the amendment for the first time in the 2018 annual financial statements.

The impact of the amendment is not material.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12

In terms of IAS 12 – Income Taxes, deferred tax assets are recognised only when it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. The following amendments have been made, which may have an impact on the Group:

If tax law restricts the utilisation of losses to deductions against income of a specific type, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. Additional guidelines were prescribed for evaluating whether the Group will have sufficient taxable profit in future periods.

The Group is required to compare the deductible temporary differences with future taxable profit that excludes tax deductions resulting from the reversal of those deductible temporary differences. This comparison shows the extent to which the future taxable profit is sufficient for the entity to deduct the amounts resulting from the reversal of those deductible temporary differences. The amendment also provides that the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.

The effective date of the amendment is for years beginning on or after 1 January 2017.

The Group has adopted the amendment for the first time in the 2018 annual financial statements.

The impact of the amendment is not material.

AIP IFRS 12 Disclosure of Interests in Other Entities – Clarification of the scope of the disclosure requirements in IFRS 12

The effective date of the amendment is for years beginning on or after 1 January 2017. The Group has adopted the amendment for the first time in the 2018 annual financial statements. The impact of the amendment is not material.

Notes to the FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

2. NEW STANDARDS AND INTERPRETATIONS *continued*

2.2 Standards and interpretations not yet effective

Standard/amendment	Applied/ effective	Impact
<i>IFRS 9 – Financial Instruments</i>	1 Jan 18	The amendments affect the classification, measurement and derecognition of financial assets and financial liabilities. The amendment will be adopted by the Group for its financial reporting period ending after the date the statement comes into effect. The Group does not expect a significant impact from the adoption of this statement.
<i>IFRS 15 – Revenue from Contracts with Customers</i>	1 Jan 18	The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. Based on the contract review performed and revenue streams identified, the Group does not expect a material impact from the adoption of this statement.
<i>IFRS 2 – Classification and Measurement of Share based Payment Transactions – Amendments to IFRS 2</i>	1 Jan 18	The Group is currently assessing the impact of IFRS 2 and plans to adopt the standard for the first time in the 2019 annual financial statements.
<i>Applying IFRS 9 – Financial Instruments with IFRS 4 – Insurance Contracts – Amendments to IFRS 4</i>	1 Jan 18	These amendments are not expected to have any impact to the Group.
<i>Transfers of Investment Property (Amendments to IAS 40)</i>	1 Jan 18	These amendments are not expected to have any impact the Group.
<i>IFRIC Interpretation 22 – Foreign Currency Transactions and Advance Consideration</i>	1 Jan 18	The Group is currently assessing the impact of IFRIC 22 and plans to adopt the standard for the first time in the 2019 annual financial statements.
<i>AIP IFRS 1 – First-time Adoption of International Financial Reporting Standards – Deletion of short term exemptions for first-time adopters</i>	1 Jan 18	These amendments are not expected to have any impact on the Group.
<i>AIP IAS 28 – Investments in Associates and Joint Ventures – Clarification that measuring investees at fair value through profit or loss is an investment – by investment choice</i>	1 Jan 18	The Group is currently assessing the impact of IAS 28 and plans to adopt the standard for the first time in the 2019 annual financial statements.
<i>IFRS 16 – Leases New standard</i>	1 Jan 19	The impact of these amendments are currently being evaluated by the Group.
<i>IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments</i>	1 Jan 19	The Group is currently assessing the impact of IFRIC Interpretation 23 and plans to adopt the new standard on the required effective date.
<i>Prepayment Features with Negative Compensation – Amendments to IFRS 9</i>	1 Jan 19	The Group is currently assessing the impact of IFRS 9 and plans to adopt the new standard on the required effective date.
<i>Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28</i>	1 Jan 19	The Group is currently assessing the impact of IAS 28 and plans to adopt the new standard on the required effective date.

Figures in Rand

3. PROPERTY, PLANT AND EQUIPMENT

	2018		
	Cost	Accumulated depreciation	Carrying value
Figures in Rand			
PROPERTY, PLANT AND EQUIPMENT			
Office and IT equipment	5 630 887	(1 562 393)	4 068 494
Motor vehicles	208 915	(50 808)	158 107
Furniture and fixtures	538 456	(91 966)	446 490
Payment terminals and devices	11 683 222	(1 080 629)	10 602 593
Total	18 061 480	(2 785 796)	15 275 684

	Opening balance	Acquisitions	Additions	Disposals	Depreciation	Carrying value
Reconciliation of property, plant and equipment						
Office and IT equipment	139 157	4 147 181	1 361 764	(57 829)	(1 521 779)	4 068 494
Motor vehicles	-	208 915	-	-	(50 808)	158 107
Furniture and fixtures	72 568	304 090	159 725	-	(89 893)	446 490
Payment terminals and devices	-	8 693 584	3 383 783	(394 144)	(1 080 629)	10 602 593
	211 725	13 353 770	4 905 272	(451 973)	(2 743 109)	15 275 684

	2017		
	Cost	Accumulated depreciation	Carrying value
Office and IT equipment	205 824	(66 667)	139 157
Furniture and fixtures	74 641	(2 073)	72 568
Total	280 465	(68 740)	211 725

	Opening balance	Additions	Disposals	Depreciation	Carrying value
Reconciliation of property, plant and equipment					
Office and IT equipment	172 685	110 343	(76 605)	(67 266)	139 157
Furniture and fixtures		74 641		(2 073)	72 568
	172 685	184 984	(76 605)	(69 339)	211 725

Notes to the FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

Figures in Rand	2018 Cost	2018 Accumulated amortisation	Carrying value
4. INTANGIBLE ASSETS			
Computer software	509 620	(259 834)	249 786
Customer web portal	26 217	(9 208)	17 009
Intangible asset recognised on acquisition of businesses	83 348 000	(12 162 333)	71 185 667
Total	83 883 837	(12 431 375)	71 452 462

	Opening balance	Acquisitions	Additions	Amortisation	Carrying value
Reconciliation of intangible assets					
Computer software	-	345 942	163 679	(259 835)	249 786
Customer web portal	-	7 733	18 483	(9 207)	17 009
Intangible asset recognised on acquisition of businesses	-	83 348 000		(12 162 333)	71 185 667
	-	83 701 675	182 162	(12 431 375)	71 452 462

Figures in Rand	2018	2017
5. GOODWILL		
Carrying amount	728 577 776	-
Movement in goodwill		
Carrying value at the beginning of the year	-	-
Goodwill and intangible assets arising on acquisition of businesses	811 925 776	-
Intangible asset allocation	(83 348 000)	-
Carrying value at the end of the year	728 577 776	-
Reconciliation		
Payments & Payment Infrastructure business	603 604 373	-
Software & Services business	124 973 403	-
	728 577 776	-

The Group performs an annual test for impairment of the cash-generating units to which goodwill 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 22.1% for Payments & Payment Infrastructure division ("Payments division") and 21.4% for the Software & Services division. Cash flows and trading forecasts have been projected for a period of five years.

The Payments & Payment Infrastructure business has forecasted compounded sales growth and compounded industry growth of 7%, respectively. Trading and operating margins have been assumed to remain consistent with the 2018 financial results.

The Software & Services business has forecasted compounded revenue growth of 15% and industry growth of 7% respectively, over the five-year period. Trading and operating margins have been assumed to remain consistent with the 2018 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.

5. GOODWILL *continued*

Acquisitions of businesses

5.1 Acquisition of African Resonance

The Group acquired 100% of the shares in African Resonance Business Solutions Proprietary Limited for a purchase price of R485.9 million, with R295 million settled in cash and the issue of 230 million shares which have been valued at 83 cents per share being the share price on the closing date 5 May 2017.

African Resonance is based in Johannesburg South Africa and provides a variety of technology solutions, services and related technical support services to financial institutions and others in the financial services sector. The acquisition has been accounted for in terms of IFRS 3 – Business Combinations.

Assets acquired and liabilities assumed

The preliminary fair values of the identifiable assets and liabilities of African Resonance as at 5 May 2017, the date of acquisition, were:

Figures in Rand	Fair value recognised on acquisition
Assets	
Property, plant and equipment	8 932 671
Deferred taxation	264 819
Inventory	15 398 881
Loan to shareholder	16 396 613
Trade, other receivables and prepayments	26 404 520
Other financial assets	10 484 372
Cash and cash equivalents	40 128 839
	118 010 715
Liabilities	
Non-current other financial liabilities	3 454 974
Trade and other payables	10 782 350
Current other financial liabilities	8 473 713
Taxation	4 102 053
	26 813 090
Total identifiable net assets at fair value	91 197 625
Goodwill arising on acquisition	371 835 895
Intangible assets arising on acquisition	31 759 000
Deferred tax on intangible asset	(8 892 520)
Purchase consideration transferred	485 900 000
Purchase consideration	
Cash	295 000 000
Shares: 230 million at 83 cents per share	190 900 000
Total	485 900 000

Notes to the FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

5. GOODWILL *continued*

5.2 Acquisition of Rinwell

The Group acquired 100% of the shares in Rinwell Proprietary Limited, which is 100% shareholder of Dashpay Proprietary Limited ("Rinwell Group") for a purchase price of R225 million settled in cash. Rinwell Group is based in Johannesburg, South Africa and provides a variety of technology solutions, services and related technical support services to financial institutions and others in the financial services sector. The acquisition has been accounted for in terms of IFRS 3 – Business Combinations.

Assets acquired and liabilities assumed

The preliminary fair values of the identifiable assets and liabilities of Rinwell Group as at 5 May 2017, the date of acquisition, were:

Figures in Rand	Fair value recognised on acquisition
Assets	
Property, plant and equipment	3 434 388
Intangible assets	353 676
Trade, other receivables and prepayments	9 208 868
Cash resources	4 339 088
	17 336 020
Liabilities	
Trade and other payables	6 409 074
Current other financial liabilities	10 484 372
Bank overdraft	17 052
	16 910 498
Total identifiable net assets at fair value	425 522
Goodwill arising on acquisition	231 768 478
Intangible assets arising on acquisition	7 300 000
Deferred tax on intangible asset	(2 044 000)
Purchase consideration transferred	237 450 000
Purchase consideration	
Cash	225 000 000
Shares: 15 million at 83 cents per share	12 450 000
	237 450 000

The Group granted 15 million shares in respect of a restraint of trade agreement entered into with the owner of Rinwell.

5. GOODWILL *continued*

5.3 Acquisition of Synthesis

The Group acquired 100% of the shares in Synthesis for a purchase price of R132.1 million, with R82.3 million settled in cash and the issue of 60 million shares which have been valued at 83 cents per share, being the share price on the closing date of 5 May 2017. Synthesis is based in Johannesburg South Africa and addresses the complex technology needs of financial institutions. The acquisition has been accounted for in terms of IFRS 3 – Business Combinations.

Assets acquired and liabilities assumed

The preliminary fair values of the identifiable assets and liabilities of Synthesis as at 5 May 2017, the date of acquisition, were:

	Fair value recognised on acquisition
Assets	
Property, plant and equipment	969 502
Deferred taxation	2 535 166
Loan to shareholder	4 153 532
Trade, other receivables and prepayments	22 140 957
Cash and cash equivalents	6 613 473
	36 412 630
Liabilities	
Non-current deferred income	8 281 250
Trade and other payables	7 194 042
Taxation	1 178 295
Current portion of deferred income	1 325 000
Current portion of long-term loan	10 132 526
	28 111 113
Total identifiable net assets at fair value	8 301 517
Goodwill arising on acquisition	124 973 403
Intangible assets arising on acquisition	44 289 000
Deferred tax on intangible asset	(12 400 920)
Purchase consideration transferred	165 163 000
Purchase consideration	
Cash	82 300 000
Shares: 60 million at 83 cents per share	49 800 000
Contingent consideration (see below)	33 063 000
Total	165 163 000
Should Synthesis achieve its profit warranty, as included in the Acquisition Agreements, the Synthesis shareholders will receive R10 million cash and an issue of 30 million shares. The period of the warranty is 37 months. For the purposes of the annual financial statements, it has been assumed that the profit warranty targets will be met, and these 30 million shares are valued at the price of 83 cents per share on the closing date and the cash portion is present valued. The Synthesis profit warranty consideration has been included as part of purchase consideration.	
Cash: R10 000 000 at present value	8 163 000
Shares: 30 million at 83 cents per share	24 900 000
Total	33 063 000

Notes to the FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

Figures in Rand

	2018	2017
Long-term receivable	17 625 214	-
	17 625 214	-

In terms of the agreement, the loan is repayable not later than 5 May 2020. The loan bears interest at the repo bank rate plus 1%.

7. INVESTMENT IN ASSOCIATES

Unlisted investments

7.1 Resonance Australia Proprietary Limited

17 580 shares at cost	29 746 521	-
Share of loss of associate	(958 211)	-
	28 788 310	-

The Group acquired 17 580 shares in Resonance Australia Proprietary Limited, representing 17.45% of the share capital of Resonance Australia Proprietary Limited. The cost of the interest in Resonance Australia Proprietary Limited amounted to AUD2 966 730 which was converted at the exchange rate on the date of acquisition of AUD1: R10.02. Resonance Australia Proprietary Limited incurred a loss of AUD551 235 and the Group's share of the loss amounted to AUD96 191 for the period 5 May 2017 to 31 March 2018. The loss was converted at the average exchange rate for the period of AUD1: R9.96. The principal place of business of Resonance Australia Proprietary Limited is in Australia, and the year-end is 30 June.

Resonance Australia is a newly formed business in Australia, which has a business model similar to Dashpay which operates in South Africa.

Figures in Rand

	2018	2017
Summarised financial information of associate as at 31 March 2018		
Income statement		
Revenue	-	-
Loss before and after taxation	(5 491 181)	-
Balance sheet		
Assets		
Property, plant and equipment	1 551 106	-
Sundry receivables	330 854	-
Cash and cash equivalents	30 231 676	-
Total assets	32 113 636	-
Equity and liabilities		
Capital and reserves		
Shareholders loans	17 739 905	-
Other liabilities	13 530 000	-
	843 731	-
	32 113 636	-

7.2 Proximity ID Proprietary Limited

69 shares at cost	460 000	-
Provision for impairment	(459 999)	-
	1	-

The Group has 23% of the share capital of Proximity ID Proprietary Limited. The principal place of business is in Johannesburg, South Africa. The total investment in Proximity ID was impaired during the year.

Figures in Rand

	2018	2017
8. DEFERRED TAX		
Deferred tax asset		
Accelerated allowances for tax purposes	264 819	
Deferred revenue	751 893	-
Recognition of deferred tax on assessed loss	1 626 816	-
	2 643 528	-
Reconciliation of deferred tax asset		
At beginning of period	-	-
Deferred revenue on acquisition of businesses	525 583	-
Accelerated allowances for tax purposes on acquisition of businesses	264 819	-
Deferred revenue	226 310	-
Recognition of deferred tax on assessed loss	1 626 816	-
	2 643 528	-
Recognition of deferred tax asset		
Deferred tax assets have been recognised in respect of temporary differences giving rise to deferred tax assets where there is highly probable that these assets will be recovered in the foreseeable future.		
Dashpay Proprietary Limited has pre-acquisition assessed losses of R40 474 276 which have not been recognised due to it not being highly probable that these assets will be recovered in the foreseeable future.		
9. INVENTORIES		
Prepaid airtime	138 245	-
Inventory – terminals	21 181 863	-
	21 320 108	-
10. TRADE AND OTHER RECEIVABLES		
Trade and other receivables	61 769 814	519 232
Other receivables	3 474 090	
Deposits	2 636 913	70 000
VAT receivable	153 709	-
	68 034 527	589 232

The repayment terms are between 30 and 60 days and are interest free.

Notes to the FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

10. TRADE AND OTHER RECEIVABLES *continued*

Fair value of trade and other receivables

Due to the short-term nature of trade and other receivables, the carrying value approximated the fair value.

Trade and other receivables past due but not impaired

Trade and other receivables which are less than three months past due are considered to be recoverable at 31 March 2018, R9 354 103 were past due, but not impaired. The credit quality of trade and other receivables that are neither past due, nor impaired is assessed by reference to historical information about counterparty default rates. Historical levels of customers' defaults are minimal and, as a result, the credit quality of year-end trade and other receivables which are not past due is considered to be high.

	2018	2017
The ageing of amounts past due but not impaired is as follows:		
1 month past due	4 962 989	-
2 months past due	2 571 483	-
3 months past due	1 819 631	-
	9 354 103	-

Trade and other receivables impaired

As of 31 March 2018, trade and other receivables of R136 783 were impaired and provided for.

The ageing of these receivables were above 120 days.

Reconciliation of provision for impairment of trade and other receivables

Opening balance	-	-
Provision for impairment	136 783	-
	136 783	-

11. LOAN TO ASSOCIATE

Opening balance	-	-
Loan granted on 5 May 2017	5 024 792	-
Unrealised foreign exchange loss	(512 400)	-
Closing balance	4 512 392	-

In terms of the subscription agreements, an interest-free loan of AUD500 000 was granted on 5 May 2017 to Resonance Australia Proprietary Limited and is repayable on demand. The carrying value of the loan has been converted at the closing rate at 31 March 2018 of AUD1:R9.02.

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

Bank balances	26 461 519	2 828 725
Call and notice deposits	486 708 344	1 044 959 956
	513 169 863	1 047 788 681

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 classified as held-for-trading financial assets. Cash and cash equivalents are measured at fair value. The maximum exposure to credit risk at the reporting date is the carrying amount. The Group only deposits with major banks with high-quality credit standing 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.

Figures in Rand

	2018	2017
13. FINANCIAL ASSETS BY CATEGORY		
The accounting policies for the financial instruments have been applied to the line items below:		
Cash and cash equivalents	513 169 862	1 047 788 681
Trade and other receivables	67 387 383	589 232
Other financial assets	17 625 214	-
	598 182 459	1 048 377 913

The carrying value is an approximation of fair value.

14. SHARE CAPITAL

Ordinary shares of no par value	1 211 781 099	1 000 002 500
Constituent ordinary shares of no par value	-	4 000 000
	1 211 781 099	1 004 002 500

	Number	Number
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	1 555 000 000	1 250 000 000
Ordinary shares of no par value repurchased during the year	(55 620 000)	-
Ordinary shares of no par value at year-end	1 499 380 000	1 250 000 000
Constituent ordinary shares of no par value	-	4

	Number	Number
Reconciliation of issued ordinary shares		
Number of issued ordinary shares at the beginning of the year	1 250 000 000	1 250 000 000
Number of ordinary shares issued during the year	305 000 000	
Number of issued ordinary shares at the end of the year	1 555 000 000	1 250 000 000
Number of ordinary shares repurchased during the year	(55 620 000)	-
Number of issued ordinary shares, net of treasury shares at the end of the year	1 499 380 000	1 250 000 000

The ordinary shares were redeemable up until the acquisitions of the viable assets on 5 May 2017. As of the aforementioned date, the ordinary shares were no longer redeemable.

During the year, the Group repurchased 55 620 000 ordinary shares at an average price of 74.4 cents per share.

Reconciliation of issued constituent ordinary shares

Number of constituent ordinary shares at the beginning of the year	4	4
Number of constituent ordinary shares repurchased	(4)	
Number of constituent ordinary shares at the end of the year	-	4

The unissued shares are under the control of the directors.

Notes to the FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

Figures in Rand

2018

2017

15. SHARE-BASED PAYMENTS

The Group's Share Incentive Scheme grants options to employees of the Group. The Scheme has been classified as an equity-settled scheme and, therefore, an equity-settled share-based payment reserve has been recognised in terms of IFRS 2.

Share-based payment reserve	250 500	-
	2018	
	Number	Price
The number and fair value of the share options are:		
Beginning of the year	-	
Granted	12 975 000	80 cents
End of the year	12 975 000	80 cents

The Group recognised an expense of R250 500 for the options granted during the 2018 financial year.

The terms and conditions of the options are the following:

Option holders are entitled to exercise their options if they are in the employment of the Group in accordance with the terms hereafter.

Option holders in the Scheme may exercise their options at such times as the option holder deems fit; but not to result in the following proportions of the holders total number of instruments being purchased prior to:

- 20% of the total number of instruments at the expiry of three years
- 50% of the total number of instruments at the expiry of four years
- 100% of the total number of instruments at the expiry of five years from date of holders acceptance of the option

All options must be exercised no later than the 15th anniversary from the date they were granted.

The fair value of services received in return for shares allotted is determined with use of an option-pricing model.

The model is based on the standard binominal option-pricing model.

1. Fair value at measurement date (cents)	16.00
2. Exercise price (cents)	80.00
3. Expected volatility (%)	18.01
4. Option life (years)	5.15
5. Distribution yield (%)	2.00
6. Risk-free rate (based on National Bond Curve) (%)	7.69

The volatility is based on historic volatility and is not expected to differ materially from the expected volatility.

Figures in Rand

	2018	2017
16. CONTINGENT CONSIDERATION RESERVE		
Cash	8 689 618	-
Shares	24 900 000	-
Total	33 589 618	-

The Synthesis profit warranty consideration has been included as part of the purchase consideration. Should Synthesis achieve its profit warranty, the Synthesis shareholders will receive R10 million cash and an issue of 30 million ordinary shares. The period of the warranty is 37 months. It has been assumed that the profit warranty targets will be met, and these 30 million ordinary shares are valued at the price of 83 cents per ordinary share on the closing date and the cash portion is present valued.

17. DEFERRED REVENUE		
Non-current liabilities	7 066 667	-
Current liabilities	1 325 000	-
	8 391 667	-

Deferred income relates to the delivery of licensed software and maintenance services over a period of eight years, of which six years and four months remain outstanding.

18. DEFERRED TAX		
Deferred tax liability		
Opening balance	-	
Deferred tax liability on intangible assets on acquisition	23 337 440	
Amortisation of intangible assets	(3 405 453)	-
Closing balance	19 931 987	-

19. TRADE AND OTHER PAYABLES		
Trade payables and accruals	32 046 313	6 014 297
VAT	1 044 835	-
	33 091 148	6 014 297

Accounts payable are non-interest bearing and are normally settled on 30 to 90-day terms.

20. OTHER FINANCIAL LIABILITIES		
Held at amortised cost		
Sasfin Bank Limited	2 989 613	-

This subsidiary liability is a securitisation transaction with Sasfin Bank, which will be repaid in full by December 2018.

Rental income to the value of the loan has been ceded as security to Sasfin Bank.

Notes to the FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

Figures in Rand

	2018	2017
21. FINANCIAL LIABILITIES BY CATEGORY		
The accounting policies for the financial instruments have been applied to the line items below:		
Trade and other payables	33 091 148	6 014 297
Other financial liabilities	2 989 613	-
	36 080 760	6 014 297
The carrying value is an approximation of fair value.		
22. REVENUE		
Turnover	508 203 850	-
Other income	23 625 187	-
Finance income	39 437 269	80 172 952
	571 266 306	80 172 952
23. TURNOVER		
Payments & Payment Infrastructure division		
Rental income	82 385 242	-
Maintenance and support service fees	45 068 642	-
Sale of terminals	276 047 720	-
Merchant acquiring and set-up fees	11 604 323	-
	415 105 927	-
Software & Services division		
Services and consultancy fees	71 274 480	-
Licence and subscription fees	18 757 519	-
Hardware	3 065 924	-
	93 097 923	-
Total turnover	508 203 850	-
24. OTHER INCOME		
Sundry income	19 309 213	-
Terminal recoveries	3 521 442	-
Other income	794 531	-
	23 625 187	-
Sundry income is subscriptions, software applications, project fees and terminal repairs/replacement fees.		
25. OPERATING EXPENSES	88 961 943	5 014 412
The following items are included within operating expenses:		
Leases		
Operating lease straight line expense		
Motor vehicles leases	250 939	-
Premises leases	7 132 542	996 007
Directors emoluments	355 000	370 000
Employee costs	60 284 305	852 670
Audit fees	1 760 000	422 940
Impairment on investment in associate	459 999	-
Unrealised foreign exchange loss	1 295 212	-

Figures in Rand

	2018	2017
26. FINANCE INCOME		
Interest revenue		
Bank	38 055 621	80 172 952
Loans advanced	1 381 648	-
	39 437 269	80 172 952
During the current year, the Group reconsidered the presentation of its consolidated statement of comprehensive income for the purpose of more accurate presentation of revenue and finance income. As a result of the asset acquisitions in the current year, the interest income which was considered revenue has been reclassified to finance income. The presentation of comparative figures has been adjusted to conform to the presentation of the current period amounts.		
27. FINANCE COSTS		
Interest paid		
Bank	258 437	-
Present value of cash portion of the contingent consideration (note 16)	526 618	-
	785 056	-
28. TAXATION		
Major components of the tax expense		
Current		
Local income tax current year	62 312 482	21 109 406
Deferred		
Originating and reversing temporary differences	(5 258 580)	-
South African normal tax	57 053 903	21 109 406
Reconciliation of rate of taxation	%	%
South African normal tax	28.0	28.0
<i>Adjusted for:</i>		
- allowance for learnerships	(0.1)	-
- disallowed expenditure	0.5	7.0
- non-deductible share-based payment expense	0.0	-
- non-deductible impairment of associate	0.1	-
Effective taxes rate	28.5	35.0

Notes to the FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

Figures in Rand

	2018	2017
29. CASH FLOWS		
29.1 Cash flows from operating activities		
Profit before taxation	199 989 814	60 314 208
<i>Adjustments for:</i>		
Depreciation	2 743 109	69 339
Amortisation	12 431 375	-
Finance income	(39 437 269)	(80 166 500)
Finance costs	785 056	-
Share of loss of associate	958 211	-
Share-based payment expense	250 500	-
Impairment on investment in associate	459 999	-
Unrealised foreign exchange loss	1 295 212	-
Profit on disposal of assets	13 872	76 605
Changes in working capital		
Inventory	(5 905 917)	-
Trade and other receivables	(7 323 253)	(109 592)
Related party receivables	891 800	-
Trade and other payables	998 585	1 045 120
Deferred revenue	(1 214 583)	-
	166 936 511	(18 770 820)
29.2 Changes in liabilities arising from financing activities		
Balance at the beginning of the year	-	-
Loans arising on acquisition of businesses	19 071 601	-
Repayment of loans	(19 071 601)	-
Balance at the end of the year	-	-
30. COMMITMENTS		
Operating leases as lessee (expense)		
Minimum lease payments		
Payable within one year	8 468 406	689 472
Payable within two to five years	31 011 599	-
	39 480 004	689 472
Operating lease payments represent rentals payable by the Group for its office properties. No contingent rent is payable.		
Operating leases – as lessor (income)		
Minimum lease payments		
Payable within one year	47 317 000	-
Payable within two to five years	6 634 642	-
	53 951 642	-

Operating lease receipts represent rentals receivable for terminals, which relate to long-term signed contracts and exclude month-to-month arrangements. The rentals receivable represent the minimum rentals before CPI increases.

31. RELATED PARTIES

31.1 In terms of International Accounting Standards (IAS 24) the Group is obliged to disclose parties that directly or indirectly fall within the scope and definition of a related party.

31.2 The Group established the Capital Appreciation Empowerment Trust (“the Trust”) with the object of facilitating economic empowerment of and advancing the interests of Black Persons, by conferring vested interests in ordinary shares held by the Trust. The Trust initially subscribed for 50 000 000 ordinary shares of the Group and 25 000 000 founders initial ordinary shares of the Group. These shares are currently held by CAET Holdings Proprietary Limited of which the Trust is a 100% shareholder. The funding for the initial subscription was facilitated through facilities granted by CAET Holdings Proprietary Limited. The Trust is included as a related party as the Chairman of the Group serves as one of the Trustees of the Trust. The Group finances bank charges and audit fees of the Trust and CAET Holdings Proprietary Limited. The maximum exposure to loss from the interests in these unconsolidated structured entities is limited to the amount owing at year-end:

Figures in Rand		2018	2017
The Trust	Trade and other receivables	75 180	36 200
CAET Holdings Proprietary Limited	Trade and other receivables	112 870	56 610

31.3 Given the 21.4% shareholding by the Government Employees Pension Fund in the Group and their representation on the Board, their interest is deemed to enable them to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the Group. Accordingly, the Government Employees Pension Fund falls within the definition of a related party.

Transactions with directors and prescribed officers

The transactions with directors and have been disclosed in the directors’ report on page 70 and note 32.

Relationships

Holding Company	Capital Appreciation Limited
Subsidiaries	African Resonance Business Solutions Limited
	Rinwell Proprietary Limited
	Dashpay Proprietary Limited
	Synthesis Software Technologies Proprietary Limited
	CAPPREC Management Services Proprietary Limited
Associate	Synthesis Empowerment Non-Profit Company
	Resonance Australia Proprietary Limited
Directors and prescribed officers	Proximity ID Proprietary Limited
	M Sacks
	B Sacks
	A Salomon
	M Pimstein
	H Neishlos
	E Neishlos
	BB Frazier
	CP van der Merwe
	Y Duek
	M Shapiro
Companies with common directors	T Wells
	J Shepherd
	HN Terminal Systems CC
Relationship with key management	Uplink Technology Services Proprietary Limited
	Skunkworx Proprietary Limited
	Castlebridge Professional Services Limited

Notes to the FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

Figures in Rand

	2018	2017
31. RELATED PARTIES <i>continued</i>		
Related party balances		
Loans to		
CAPPREC Management Services Proprietary Limited	41 020 612	
H Neishlos (pre-acquisition contractual agreement)	17 625 214	-
Resonance Australia Proprietary Limited	4 512 392	-
Capital Appreciation Empowerment Trust	75 180	36 200
CAET Holdings Proprietary Limited	112 870	56 610
Albanta Trading 101 Proprietary Limited	134 477	64 343
Related party transactions		
Revenue received by African Resonance from Dashpay	3 135 000	-
Income received by African Resonance from Dashpay	208 975	-
Interest received from H Neishlos	1 381 648	-
Premises rental paid by Dashpay to African Resonance	255 414	-
Terminal rental paid by Dashpay to African Resonance	15 000	-
Maintenance and support fees paid by Dashpay to African Resonance	230 654	-
Cash held in Synthesis Empowerment Non-Profit Company	490 000	-
Administration fees and costs paid to related parties		
African Resonance to Capital Appreciation Limited	1 650 000	-
African Resonance to HN Terminal Systems CC	14 779 567	-
African Resonance to Uplink Technology Services Proprietary Limited	12 451 082	-
African Resonance to Skunkworx Proprietary Limited	8 310 868	-
Castlebridge Professional Services Limited	3 867 913	-
Synthesis to Capital Appreciation Limited	1 650 000	-
Centric Capital Venture LLC	673 107	-
Directors' fees	355 000	370 000

32. DIRECTORS' EMOLUMENTS

Executive directors

Executive directors received no remuneration for services rendered to the Group during the current and prior year.

Non-executive directors

Fees for services as directors:

B Bulu	80 000	90 000
J Kahn	45 000	60 000
D Matjila	-	20 000
R Morar	45 000	20 000
H Neishlos	25 000	-
M Sacks	-	-
V Sekese	80 000	90 000
C Valkin	80 000	90 000
Total	355 000	370 000

M Sacks waived his remuneration as a non-executive director.

Figures in Rand

2018

2017

33. EARNINGS PER SHARE

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

Profit for the year attributable to ordinary shareholders (Rand)	142 935 911	39 204 802
Impairment on investment in associate	459 999	-
Headline earnings	143 395 910	39 204 802
Basic earnings per share (cents)	9.49	3.14
Headline earnings per share (cents)	9.53	3.14
Diluted basic earnings per share (cents)	9.33	3.14
Diluted headline earnings per share (cents)	9.36	3.14
Number of ordinary shares in issue	1 555 000 000	1 250 000 000
Weighted average number of ordinary shares	1 505 442 013	1 250 000 000
Diluted weighted average number of ordinary shares	1 532 647 492	1 250 000 000

34. RISK MANAGEMENT**Capital risk management**

The share capital is considered to be the capital of the Group. The Group must maintain sufficient financial resources, in the opinion of the directors, to meet its commitments. The directors monitor the capital of the Group to ensure that the Group continues as a going concern whilst ensuring optimal return for the shareholders.

Financial risk management

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Board provides written principles for overall risk management, as well as policies covering specific areas, such as, interest rate risk, credit risk, and investment of excess liquidity.

Currency risk management

The Group incurs currency risk as a result of revenues in United States Dollars and investment and loans to an associate in Australian Dollars, which are currencies other than the Group's reporting currency. It is estimated that a general increase of 25 cents in the value of the Rand against other foreign currencies would decrease the Group's profit before and after tax for the year by approximately R3 million and R2 million respectively (31 March 2017: Nil), a decrease of 25 cents would have an equal but opposite effect.

Interest rate risk

Cash flow interest rate risk arises on cash balances held. The directors have determined that a fluctuation in an interest rate of 50 basis points is reasonably possible. An increase in 50 basis points in interest rates as at the reporting date would have increased the profit before and after tax for the year by approximately R2.6 million and R1.8 million respectively (31 March 2017: R5.1 million and R3.7 million, respectively), a decrease of 50 basis points would have an equal but opposite effect. The analysis assumes that all other variables remain constant.

Liquidity risk

Liquidity risk is the risk where the Group fails to maintain adequate levels of financial resources to enable it to meet its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Group could be required to pay its liabilities earlier than expected or because of any inability to realise assets in order to meet obligations as they fall due or is only able to realise assets by suffering financial loss.

The Group's liquidity risk derives from the need to have sufficient funds available to cover future commitments. The Group manages liquidity risk through an ongoing review of future cash requirements. Cash flow forecasts are compared to cash available. The financial liabilities of Group are all due within the next 12 months.

Notes to the FINANCIAL STATEMENTS *continued*

for the year ended 31 March 2018

Figures in Rand

2018

2017

34. RISK MANAGEMENT *continued*

Credit risk

Credit risk relates to the secure and unfettered access to and recovery of, cash deposits, cash equivalents and other accounts receivable.

The carrying amount of financial assets represents the Group's maximum exposure to credit risk. The maximum exposure of each class of financial asset are as follows:

Other financial assets	17 625 214	-
Trade and other receivables	68 034 527	233 605
Loan to associate	4 512 392	-
Cash and cash equivalents	513 169 862	1 047 788 681

Other financial assets

The exposure to credit risk is not significant as the debtor has adequate resources to repay the loan.

Trade and other receivables

The credit quality of trade and other receivables that are neither past due, nor impaired is assessed by reference to historical information about counter party default rates. Historical levels of customers defaults are minimal and, as a result, the credit quality of year-end trade and other receivables which are not past due is considered to be high.

Loan to associate

The exposure to credit risk is not significant as the associate has adequate resources to repay to the loan.

Cash and cash equivalents

The maximum exposure to credit risk at the reporting date is the carrying amount. The Group only deposits with major banks with high-quality credit standing 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.

35. GROUP INFORMATION

Subsidiaries

The Group acquired the following subsidiaries on 5 May 2017

	Principal activities	% equity interest
African Resonance Business Solutions Proprietary Limited	Payment solutions	100.00
Rinwell Proprietary Limited	Payment solutions	100.00
Dashpay Proprietary Limited	Payment solutions	100.00
Synthesis Software Technologies Proprietary Limited	Software solutions	100.00

Associates

The Group acquired the following associates on 5 May 2017

	Principal activities	% equity interest
Resonance Australia Proprietary Limited	Payment solutions	17.45
Proximity ID Proprietary Limited	Software solutions	23.00

36. CLOSURE OF ESCROW AGREEMENT WITH BOWMAN GILFILLAN INC.

The Escrow Accounts were closed in May 2017, in accordance with clause 11.2 of the Escrow Agreement.

37. FAIR VALUE

The fair values of the recognised financial instruments are not materially different from the carrying amounts reflected in the statement of financial position.

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.

At 31 March 2018 and 31 March 2017, the Group had no financial instruments carried at fair value.

38. DIVIDEND

An interim dividend of 2 cents per share was declared on 14 November 2017 and paid on 1 December 2017. The total cash consideration was R30 400 000.

39. POST-YEAR-END EVENTS

The directors are not aware of any matter or circumstance arising since the end of the financial year.

Value added statement

“Value added” is the value which the Group has added to purchased materials and goods by process of manufacture and conversion, and the sale of its products and services.

The statement below indicates how the value so added has been distributed.

Figures in Rand	2018	%	2017	%
Revenue	508 203 850			
Net cost of raw materials, goods and services	212 228 179		18 936 735	
Wealth created by trading operations	295 975 671		(18 936 735)	
Impairments	459 999			
Finance income	39 437 269		80 172 952	
Total wealth created	335 872 939	100%	61 236 217	100%
<i>Distributed as follows:</i>				
Employees				
Benefits and remuneration	89 523 585	27%	852 670	1%
Governments				
Taxation	57 053 903	17%	21 109 406	35%
Providers of capital	31 185 056	9%		0%
Finance charges	785 056	0%		0%
Distribution to shareholders	30 400 000	9%		0%
Retained for growth	158 110 395	47%	39 274 141	64%
Depreciation and amortisation	15 174 484	5%	69 339	0%
Profit for the year attributable to shareholders of the Company	142 935 911	43%	39 204 802	64%
	335 872 939	100%	61 236 217	100%

Exchanges with governments

including amounts collected on their behalf

	2018	2017
Employee taxes	21 996 507	208 719
Company taxes	57 053 903	21 109 406
Value added tax and sales tax	61 205 381	
Customs and excise duty	35 088 516	
	175 344 306	21 318 125

Group INFORMATION

SUBSIDIARIES

	Principal Activities	% Equity interest	Date acquired
African Resonance Business Solutions Proprietary Limited	Payment solutions	100.00	5 May 2017
Rinwell Proprietary Limited	Payment solutions	100.00	5 May 2017
Dashpay Proprietary Limited	Payment solutions	100.00	5 May 2017
Synthesis Software Technologies Proprietary Limited	Software solutions	100.00	5 May 2017

ASSOCIATES

	Principal Activities	% Equity interest	Date acquired
Resonance Australia Proprietary Limited	Payment solutions	17.45	5 May 2017
Proximity ID Proprietary Limited	Software solutions	23.00	5 May 2017

Notice of annual general meeting

RESOLUTIONS

Notice is hereby given that the annual general meeting of shareholders of Capital Appreciation Limited (the Company) will be held at 14:30 on Friday, 31 August 2018 at 1st Floor, 61 Katherine Street, Sandton, 2196, to consider and, if deemed fit, adopt with or without modification, the ordinary and special resolutions as set out in this notice of annual general meeting and to deal with such other businesses as may be required to be dealt with at the annual general meeting in terms of the Companies Act, 71 of 2008 as amended (Companies Act).

The Board of Directors of the Company (the Board) has determined that, in terms of section 62(3)(a), as read with section 59 of the Companies Act, the record date for the purpose of determining which shareholders are entitled to participate in and vote at the annual general meeting is Friday, 24 August 2018. Accordingly, the last day to trade in the Company's shares in order to be recorded in the register to be entitled to vote at the annual general meeting will be Tuesday, 21 August 2018.

Shareholders are advised that, in terms of section 63(1) of the Companies Act, any person attending or participating in an annual general meeting of shareholders must present reasonably satisfactory identification before being entitled to participate in and vote at the annual general meeting and the person presiding at the annual general meeting must be reasonably satisfied that the right of any person to participate in and vote (whether as shareholder or proxy for a shareholder) has been reasonably verified. Forms of identification that will be accepted include original and valid identity documents, driver's licences or valid passports.

RESOLUTIONS FOR CONSIDERATION AND ADOPTION OF ORDINARY RESOLUTIONS: ORDINARY BUSINESS

1. ORDINARY RESOLUTION NUMBER 1 *Acceptance of annual financial statements*

"RESOLVED THAT the audited annual financial statements of the Company for the year ended 31 March 2018, including the directors' report, Audit committee's report and Independent auditor's report as required in terms of section 30(3)(d) of 56 the Companies Act, be and is hereby received and accepted."

Additional information in relation to ordinary resolution number 1

The complete audited annual financial statements of the Company for the year ended 31 March 2018, including the directors' report,

Audit committee's report and Independent auditor's report are included in the Integrated Annual Report on pages 59 to 105 of which this notice of annual general meeting forms part.

The shareholders are advised that the Company's complete audited annual financial statements for the year ended 31 March 2018 are available on the Company's website: www.capitalappreciation.co.za. and will be available for a period of no less than 12 months from the date of this notice.

2. ORDINARY RESOLUTION NUMBER 2 (COMPRISING ORDINARY RESOLUTION NUMBERS 2.1 TO 2.14, ALL INCLUSIVE) *Retirement, re-election and confirmation of appointment of directors*

"The following directors, comprising the current directors of the Company, retire from office in accordance with the Company's Memorandum of Incorporation and, being eligible, offer themselves for election, each by way of separate resolution. It is hereby resolved that:

- 2.1 B Bulo, be and is hereby elected as a director;
- 2.2 DK Dlamini, be and is hereby elected as a director;
- 2.3 JM Kahn, be and is hereby elected as a director;
- 2.4 E Kruger, be and is hereby elected as a director;
- 2.5 M Mokoka, be and is hereby elected as a director."
- 2.6 R Morar, be and is hereby elected as a director;
- 2.7 E Neishlos, be and is hereby elected as a director;
- 2.8 H Neishlos, be and is hereby elected as a director;
- 2.9 MR Pimstein, be and is hereby elected as a director;
- 2.10 BJ Sacks, be and is hereby elected as a director;
- 2.11 MI Sacks, be and is hereby elected as a director;
- 2.12 AC Salomon, be and is hereby elected as a director;
- 2.13 VM Sekese, be and is hereby elected as a director;
- 2.14 CL Valkin, be and is hereby elected as a director;

Additional information in respect of ordinary resolution number 2

In terms of the Company's Memorandum of Incorporation, the JSE Limited (JSE) Listings Requirements and, to the extent applicable, the Companies Act, the Company's directors shall retire from office and may, being eligible, offer themselves up for re-election. Accordingly, B Bulu, DK Dlamini, JM Kahn, E Kruger, M Mokoka, R Morar, E Neishlos, H Neishlos, MR Pimstein, BJ Sacks, MI Sacks, AC Salomon, VM Sekese and CL Valkin will retire from office at the annual general meeting, however, being eligible, have made themselves available for re-election.

The Company's Nominations and remuneration committee has reviewed the composition of the Board against corporate governance, sustainability and transformation requirements and has recommended the election of the directors listed above. Accordingly, the Board recommends the election of B Bulu, DK Dlamini, JM Kahn, E Kruger, M Mokoka, R Morar, E Neishlos, H Neishlos, MR Pimstein, BJ Sacks, MI Sacks, AC Salomon, VM Sekese and CL Valkin to shareholders by way of a series of votes, each of which is on the candidacy of a single individual to fill a single vacancy, as required under section 68(2) of the Companies Act.

A brief biography in respect of each retiring director standing for election is set out on pages 34 to 41 of the Integrated Annual Report of which this notice of annual general meeting forms part.

**3. ORDINARY RESOLUTION NUMBER 3
(COMPRISING ORDINARY RESOLUTION
NUMBERS 3.1 TO 3.3, ALL INCLUSIVE)**

Re-election of the Audit and Risk and opportunity committee members and Chairman

"RESOLVED THAT, AND SUBJECT TO THEIR RESPECTIVE ELECTION IN TERMS OF ORDINARY RESOLUTION 2, by way of separate ordinary resolutions:

- 3.1 VM Sekese, be and is hereby re-elected as a member and Chairman of the Company's Audit and Risk and opportunity committee;
- 3.2 B Bulu, be and is hereby re-elected as a member of the Company's Audit and Risk and opportunity committee; and
- 3.3 CL Valkin, be and is hereby re-elected as a member of the Company's Audit and

Risk and opportunity committee, in terms of section 94(2) of the Company's Act, to hold office until the next annual general meeting of the Company and to perform the duties and responsibilities stipulated in section 94(7) of the Companies Act and King Report on Governance for South Africa 2016 (King IV) and to perform such other duties and responsibilities as may from time to time be delegated by the Board for the Company and all of its subsidiary companies."

Additional information in respect of ordinary resolution number 3

In terms of section 94(2) of the Companies Act, a public company must, at each annual general meeting, elect an Audit and Risk and opportunity committee comprising at least three members who are directors and who meet the criteria of section 94(4) of the Companies Act. In terms of Regulation 42 of the Companies Act Regulations, 2011, one-third of the members of the Audit and Risk and opportunity committee must have appropriate academic qualifications or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs or human resources management.

A brief curriculum vitae of each of the Independent non-executive directors mentioned in ordinary resolution number 3 appears on pages 34 to 41 of the Integrated Annual Report of which this notice of annual general meeting forms part.

The Board is satisfied that the proposed members of the Audit and Risk and opportunity committee meet all requirements of section 94(4) of the Companies Act, and that they are independent according to King IV and that they possess the required qualifications and experience as prescribed in the Companies Act Regulations, 2011 and King IV.

**4. ORDINARY RESOLUTION NUMBER 4
*Reappointment of external auditors***

"RESOLVED THAT, on recommendation of the Audit and Risk and opportunity committee, Ernst & Young Inc. (EY), with L Tomlinson being the designated auditor, be and is hereby reappointed as the external auditors of the Company for the financial year ending 31 March 2019 and to hold office until the conclusion of the next annual general meeting of the Company, and that their remuneration for the financial year ending 31 March 2019 be determined by the audit committee."

Notice of annual general meeting

RESOLUTIONS *continued*

Additional information in respect of ordinary resolution number 4

In accordance with section 90(1) of the Companies Act, EY is proposed to be reappointed as the external auditors of the Company, as nominated by the Company's Audit committee, until the conclusion of the Company's next annual general meeting. The Audit and Risk and opportunity committee conducted an assessment of the performance and the independence of the external auditors and considered whether or not the external auditors comply with the requirements of sections 90(2) and 90(3) of the Companies Act and section 22 of the JSE Listings Requirements, and the Board considered and accepted the findings.

The Board is satisfied that the proposed external auditors, being EY, and L Tomlinson, the individual registered auditor who will undertake the audit of the Company for the financial year ending 31 March 2019, comply with the relevant provisions of the Companies Act, and are duly accredited by the JSE.

5. ORDINARY RESOLUTION NUMBER 5

General authority to issue shares for cash

"RESOLVED THAT, subject to the provisions of the Companies Act, the JSE Listings Requirements, and the Company's Memorandum of Incorporation, as applicable, the Board be and is hereby authorised, by way of general authority, to allot and issue for cash any of the Company's unissued ordinary shares (including securities convertible into ordinary shares) as and when the Board in its discretion (including as to terms and conditions) may deem fit, without restriction, provided that:

- the general authority shall be valid until the Company's next annual general meeting of its shareholders, or 15 (fifteen) months from the date of passing of this ordinary resolution, whichever period is shorter;
- the allotment and issue of the ordinary shares must be made to public shareholders, as such term is defined in the JSE Listings Requirements, and not to related parties;
- the number of ordinary shares issued for cash in terms of this authority may not exceed 155 500 000 ordinary shares, being 10% (ten per cent) of the number of the listed equity securities of the Company as at the date of this notice of annual general meeting, provided that:

- any ordinary shares issued under this authority during the period must be deducted from the number above;
- in the event of a sub-division or consolidation of issued ordinary shares during the period contemplated above, the existing authority must be adjusted accordingly to represent the same allocation ratio;
- any securities to be issued pursuant to a rights issue (announced, irrevocable or fully underwritten) or any acquisition issue shall not diminish the number of securities that are authorised to be issued in terms of this resolution;
- the calculation of the listed ordinary shares is a factual assessment of the listed ordinary shares as at the date of the notice of annual general meeting;
- in determining the price at which an issue of ordinary shares may be made in terms of this authority, the maximum discount at which the ordinary shares may be issued is 10% (ten per cent) of the weighted average traded price of the Company's ordinary shares measured over the 30 (thirty) business days prior to the date that the price of the issue is determined or agreed by the directors of the Company and the party subscribing for the securities. The JSE should be consulted for a ruling if the Company's securities have not traded in such 30 (thirty) business day period; and
- an announcement giving full details, will be published at the time of any issue representing, on a cumulative basis within the period of this authority, 5% (five per cent) or more of the number of ordinary shares in issue prior to that issue, in terms of the JSE Listings Requirements.

Additional information in respect of ordinary resolution number 5

This resolution has been proposed to seek a general authority and approval for the directors to allot and issue ordinary shares in the authorised but unissued share capital of the Company (and/or any options/convertible securities that are convertible into ordinary shares), up to 10% of the number of ordinary shares of the Company in issue as at 31 August 2018, in order to enable the Company to take advantage of business opportunities which may arise in future. At present, the

directors have no specific intention of using this authority, and the authority will thus only be used if circumstances are appropriate.

In order for ordinary resolutions numbers 1, 2, 3 and 4 to be adopted, the resolution is required to be supported by more than 50% (fifty per cent) of the voting rights exercised on the resolution by shareholders present or represented by proxy at the meeting. In order for ordinary resolution 5 to be adopted, the resolution is required to be supported by a 75% (seventy-five per cent) majority of the voting rights exercised on the resolution by shareholders present or represented by proxy at the meeting.

1. SPECIAL RESOLUTION NUMBER 1

Non-executive directors' fees

"RESOLVED as a special resolution in terms of section 66(9) of the Companies Act, that the Company be and is hereby authorised to pay the following fees to its non-executive directors for their services as directors for the year ending 31 March 2019 (which amounts are exclusive of VAT) as well as for the year ended 31 March 2020 (which amounts are exclusive of VAT), from the date of this annual general meeting, unless the non-executive directors' fees are amended by way of a special resolution of shareholders.

The fees have been determined by the Board through the Nominations and remuneration committee on a market-related basis and is in accordance with the provisions set out below:

	Fees per meeting (excluding VAT)
Board of Directors	
Chairman	R50 000
Member	R40 000
Audit committee	
Chairman	R40 000
Member	R30 000
Risk and opportunity committee	
Chairman	R40 000
Member	R30 000
Nominations and remuneration committee	
Chairman	R30 000
Member	R25 000
Investment committee	
Chairman	R40 000
Member	R30 000
Social and ethics committee	
Chairman	R30 000
Member	R25 000
Ad hoc meetings	R20 000

Until the Company completed an acquisition of a viable asset, executive directors did not receive any remuneration for services rendered to the Company. Post the date of the acquisition of the viable assets, the executive directors did not receive any remuneration for the 2018 financial year.

Given the acquisition of viable assets, the amounts stated above have been recommended by the Board Nominations and remuneration committee and are presented herein for approval.

Additional information in respect of special resolution number 1

In terms of sections 66(8) and 66(9) of the Companies Act, remuneration may only be paid to directors for their services as directors in accordance with a special resolution approved by the shareholders of the Company and if not prohibited in terms of the Company's Memorandum of Incorporation. Therefore, the reason for and the effect of special resolution number 1 is to approve the payment of and the remuneration payable by the Company to its non-executive directors for their services as directors of the Company in terms of section 66 of the Companies Act. The fees payable to the non-executive directors are detailed above.

2. SPECIAL RESOLUTION NUMBER 2

Repurchase of the Company's ordinary shares.

"RESOLVED as a special resolution that the Company, and/or a subsidiary of the Company, be and is hereby authorised to repurchase or purchase, as the case may be, ordinary shares issued by the Company, from any person, upon such terms and conditions and in such number as the directors of the Company or the subsidiary may from time to time determine, subject to the applicable requirements of the Company's Memorandum of Incorporation, the Companies Act and the JSE Listings Requirements."

Additional information in respect of special resolution number 2

It is recorded that the Company or any subsidiary of the Company may only make a repurchase, or purchase, as the case may be, of the ordinary shares in the Company subject to the following:

- any repurchase in terms of the above authority must be effected through the order book operated by the JSE trading system and done without any prior understanding or

Notice of annual general meeting

RESOLUTIONS *continued*

arrangement between the Company and the counter party (reported trades are prohibited);

- this authority shall only be valid until the Company's next annual general meeting or for 15 (fifteen) months from the date of the resolution, whichever period is shorter;
- a resolution having been passed by the Board authorising the repurchase and confirming that the Company and its subsidiaries have passed the solvency and liquidity test and that, from the time the test was performed, there have been no material changes to the financial position of the Group;
- an announcement giving such details as may be required in terms of the JSE Listings Requirements must be published when the Company or its subsidiaries have cumulatively repurchased 3% (three per cent) of the initial number of the relevant class of shares, and for each 3% (three per cent) in aggregate of the initial number of that class acquired thereafter;
- the Company or its subsidiaries may not repurchase any of the Company's ordinary shares during a prohibited period as defined in the JSE Listings Requirements, unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and the Company has submitted the repurchase programme to the JSE in writing prior to the commencement of a prohibited period. The Company will instruct an independent third party, which makes its investment decisions in relation to the Company's securities independently of, and uninfluenced by, the Company, prior to commencement of the prohibited period to execute the repurchase programme submitted to the JSE;
- general repurchases in terms of this authority may not in the aggregate in any one financial year exceed 20% (twenty per cent) of the number of ordinary shares in the Company's issued ordinary share capital as at the beginning of the financial year;
- at any point in time the Company may only appoint one agent to effect any repurchases on the Company's behalf; and
- in determining the price at which ordinary shares may be repurchased in terms of this authority, the maximum premium permitted will be 10% (ten per cent) above the weighted average traded price of the ordinary shares as determined over the 5 (five) business days immediately prior to the date of repurchase.

Information pertinent to special resolution number 2

The directors are of the opinion that it would be in the best interests of the Company that special resolution number 2 be passed and thereby allow the Company or any subsidiary of the Company to be in a position to repurchase or purchase, as the case may be, the ordinary shares issued by the Company through the order book of the JSE, should the market conditions and price justify such action.

Should the opportunity arise and should the directors deem it to be advantageous to the Company, or any of its subsidiaries, to repurchase or purchase, as the case may be, such ordinary shares, it is considered appropriate that the directors (and relevant subsidiaries) be authorised to repurchase or purchase, as the case may be, the Company's ordinary shares.

The Board has considered the impact of a repurchase or purchase, as the case may be, of up to 20% (twenty per cent) of the Company's ordinary shares in issue.

After considering the effects of such maximum contemplated repurchase under the general authority, the directors are of the view that:

- the Company and Group will be able to, in the ordinary course of business, pay its debts for a period of 12 (twelve) months after the date of the notice of the annual general meeting;
- the assets of the Company and group will be in excess of the liabilities of the Company and group for a period of 12 (twelve) months after the date of the notice of the annual general meeting. For this purpose, the assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited annual financial statements;
- the share capital and reserves of the Company and Group will be adequate for ordinary business purposes for a period of 12 (twelve) months after the date of the notice of the annual general meeting; and
- the working capital of the Company and Group will be adequate for ordinary business purposes for a period of 12 (twelve) months after the date of the notice of the annual general meeting.

For the purpose of considering special resolution number 2 and in compliance with paragraph 11.26 of the JSE Listings Requirements, the following information has been included in the annual financial statements or the Integrated Annual Report, which this notice of the annual general meeting forms part of, at the places indicated (i) major shareholders, refer to page 9 and (ii) share capital of the Company, refer to page 95.

The directors intend, should the proposed authority be granted to them under this resolution, to use such authority to, at appropriate times, repurchase ordinary shares on the open market and thereby more efficiently utilise cash on hand.

This authority includes an authority, by special resolution, to repurchase, through the JSE's order book, as contemplated in section 48(8)(a) of the Companies Act, ordinary shares disposed of by a director or prescribed officer of the Company or a person related to a director or prescribed officer of the Company.

3. SPECIAL RESOLUTION NUMBER 3

Financial assistance to subsidiaries and other related and interrelated entities.

"RESOLVED THAT, to the extent required by the Companies Act, the Board may, subject to compliance with the requirements of the Company's Memorandum of Incorporation, the Companies Act, and the JSE Listings Requirements, to the extent applicable, authorise the Company to provide direct or indirect financial assistance, by way of loan, guarantee, the provision of security or otherwise, to any of its present or future subsidiaries (wheresoever incorporated) and/or any other company or entity that is or becomes related or interrelated (as such term is defined in section 2 of the Companies Act) to the Company, on such terms and conditions as they may deem fit, for any purpose or in connection with any matter, including, but not limited to, the subscription for any option, or any securities issued or to be issued by the Company, its present or future subsidiaries (wheresoever incorporated) or a related or interrelated company or entity to the Company, or for the purchase of any securities of the Company, its present or future subsidiaries (wheresoever incorporated) or a related or interrelated company or entity to the Company, such authority to endure until the next annual general meeting of the Company.

Information pertinent to special resolution number 3

Notwithstanding the title of section 45 of the Companies Act, being "Loans or other financial assistance to directors", on a proper interpretation, the body of the section may also apply to financial assistance provided by a company to related or interrelated companies and entities, including, *inter alia*, its subsidiaries, for any purpose.

Furthermore, section 44 of the Companies Act may also apply to the financial assistance so provided by a company to related or interrelated companies, in the event that the financial assistance is provided for the purpose of, or in connection with, the subscription of any option, or any securities, issued or to be issued by the Company or a related or interrelated company or for the purchase of any securities of the Company or a related or interrelated company.

Both sections 44 and 45 of the Companies Act provide, *inter alia*, that the particular financial assistance must be provided only pursuant to a special resolution of the shareholders, adopted within the previous two years, which approved such assistance either for the specific recipient, or generally for a category of potential recipients, and the specific recipient falls within that category and the Board of Directors must be satisfied that:

- immediately after providing the financial assistance, the Company would satisfy the solvency and liquidity test; and
- the terms under which the financial assistance is proposed to be given are fair and reasonable to the Company.

The Company would like the ability to provide financial assistance, if necessary, also in other circumstances, in accordance with sections 44 and 45 of the Companies Act. In addition, it may be necessary or desirable for the Company to provide financial assistance to related or interrelated companies and entities to subscribe for options or securities or purchase securities. In the circumstances and in order to *inter alia* ensure that the Company's subsidiaries and other related and interrelated companies and entities have access to financing and/or financial backing from the Company, it is necessary to obtain the approval of the shareholders as set out in special resolution number 3.

Notice of annual general meeting

RESOLUTIONS *continued*

The percentage of voting rights required for special resolution numbers 1, 2 and 3 to be adopted is at least a 75% (seventy-five per cent) majority of the voting rights exercised on the resolution by shareholders present or represented by proxy at the meeting.

MATERIAL CHANGES

There have been no material changes in the affairs or the financial position of the Company and its subsidiaries since the date of signature of the audit report and the date of this notice of annual general meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are given on page 34 to 41 of the Integrated Annual Report collectively and individually accept full responsibility for the accuracy of the information and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made, and that in relation to special resolution 2 in particular, all information required by the JSE Listings Requirements is contained.

PROXIES

An ordinary shareholder entitled to attend and vote at the annual general meeting is entitled to appoint a proxy or proxies to attend and act in his/her stead.

A proxy need not be a member of the Company. For the convenience of registered members of the Company, a form of proxy is attached hereto.

The attached form of proxy is only to be completed by those ordinary shareholders who:

- hold ordinary shares in certificated form; or
- are recorded on the sub-register in "own name" dematerialised form.

SECURITIES DEPOSITORY PARTICIPANT

Ordinary shareholders who have dematerialised their ordinary shares through a Central Securities Depository Participant (CSDP) or broker other than with "own name" registration and who wish to attend the annual general meeting, must instruct their CSDP or broker to provide them with the relevant letter of representation to attend the annual general meeting in person or by proxy and vote. If they do not wish to attend in person or by proxy, they must provide the CSDP or broker with their voting instructions in terms of their custody agreement entered into between them and the CSDP or broker.

RESOLUTIONS

Unless you advise your CSDP or broker, in terms of your agreement, by the cut-off time stipulated therein, that you wish to attend the annual general meeting or send a proxy to represent you, your CSDP or broker will assume that you do not wish to attend the annual general meeting or send a proxy.

VOTING

On a show of hands, every shareholder present in person or by proxy and, if a member is a body corporate, its representative, will have one vote and, on a poll, every shareholder present in person or by proxy and, if the person is a body corporate, its representative, will have one vote for every share held or represented by him/her.

If you are in any doubt as to what action you should take in respect of the resolutions provided for in this notice, please consult your CSDP, broker, banker, attorney, accountant or other professional adviser immediately.

LODGEMENT OF FORMS OF PROXY

Forms of proxy should be lodged with the Company at its registered address at 1st Floor, 61 Katherine Street, Sandton, 2196 or the Company's transfer secretaries, Computershare Investor Services Proprietary Limited, Ground Floor, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196, South Africa, or posted to the Company's transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa so as to be received by them by no later than 14:30 on 29 August 2018, for administrative purposes. Any shareholder who completes and lodges a form of proxy will nevertheless be entitled to attend and vote in person at the annual general meeting.

By order of the Board

Form of PROXY

For use only by ordinary shareholders who:

- hold ordinary shares in certificated form (certificated ordinary shareholders); or
- have dematerialised their ordinary shares (dematerialised ordinary shareholders) and are registered with "own name" registration, at the annual general meeting of shareholders of the Company to be held at 1st Floor, 61 Katherine Street, Sandton, 2196, on Friday, 31 August 2018 at 14:30.

Dematerialised ordinary shareholders holding ordinary shares other than with "own name" registration who wish to attend the annual general meeting must inform their Central Securities Depository Participant (CSDP) or broker of their intention to attend the annual general meeting and request their CSDP or broker to issue them with the relevant letter of representation to attend the annual general meeting in person or by proxy and vote. If they do not wish to attend the annual general meeting in person or by proxy, they must provide their CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker. These ordinary shareholders must not use this form of proxy.

I/We _____
of (address) _____
being the holder(s) of _____ Capital Appreciation Limited ordinary shares,
do hereby appoint (see note 2): _____

1. _____ of _____ or failing him/her,
2. _____ of _____ or failing him/her,
3. the Chairman of the annual general meeting,

as my/our proxy to act for me/us and on my/our behalf at the annual general meeting, which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof; and to vote for and/or against the resolutions and/or abstain from voting in respect of the Capital Appreciation ordinary shares registered in my/our name(s), in accordance with the following instructions (see note 3):

Number of ordinary shares			
	For	Against	Abstain
Ordinary resolution number 1: Acceptance of annual financial statements			
Ordinary resolution number 2.1: Retirement, re-election and confirmation of appointment of B Bulo as director			
Ordinary resolution number 2.2: Retirement, re-election and confirmation of appointment of DK Dlamini as director			
Ordinary resolution number 2.3: Retirement, re-election and confirmation of appointment of JM Kahn as director			
Ordinary resolution number 2.4: Retirement, re-election and confirmation of appointment of E Kruger as director			
Ordinary resolution number 2.5: Retirement, re-election and confirmation of appointment of M Mokoka as director			
Ordinary resolution number 2.6: Retirement, re-election and confirmation of appointment of R Morar as director			
Ordinary resolution number 2.7: Retirement, re-election and confirmation of appointment of E Neishlos as director			
Ordinary resolution number 2.8 Retirement, re-election and confirmation of appointment of H Neishlos as director			
Ordinary resolution number 2.9: Retirement, re-election and confirmation of appointment of MR Pimstein as director			
Ordinary resolution number 2.10: Retirement, re-election and confirmation of appointment of BJ Sacks as director			
Ordinary resolution number 2.11: Retirement, re-election and confirmation of appointment of MI Sacks as director			
Ordinary resolution number 2.12: Retirement, re-election and confirmation of appointment of AC Salomon as director			
Ordinary resolution number 2.13: Retirement, re-election and confirmation of appointment of VM Sekese as director			
Ordinary resolution number 2.14: Retirement, re-election and confirmation of appointment of CL Valkin as director			
Ordinary resolution number 3.1: Re-election of V M Sekese as member and Chairman of the Audit and risk and opportunity committee			
Ordinary resolution number 3.2: Re-election of B Bulo as a member of the Audit and risk and opportunity committee			
Ordinary resolution number 3.3: Re-election of C L Valkin as a member of the Audit and risk and opportunity committee			
Ordinary resolution number 4: Reappointment of external auditors			
Ordinary resolution number 5: General authority to issue shares for cash			
Special resolution number 1: Approval of non-executive directors' fees			
Special resolution number 2: Repurchase of the Company's ordinary shares			
Special resolution number 3: Financial assistance to subsidiaries and other related and interrelated entities			

Please indicate with an "X" in the space provided above how you wish your votes to be cast.

Signed at _____ on _____ 2018

Signature _____ Assisted by (where applicable) _____

Notes

The person whose name stands first on the form of proxy and who is present at the annual general meeting will be entitled to act as a proxy to the exclusion of those whose names follow thereafter.

Notes to the form of PROXY

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder of the Company) to attend, speak and vote in place of that shareholder at the annual general meeting.

SUMMARY OF SHAREHOLDERS' RIGHTS

In respect of proxy appointments as contained in section 58 of the Companies Act, 71 of 2008, as amended (the Companies Act).

Please note that in terms of section 58 of the Companies Act:

This form of proxy must be dated and signed by the shareholder appointing the proxy.

- You may appoint an individual as a proxy, including an individual who is not a shareholder of the Company, to participate in, speak and vote at a shareholders' meeting on your behalf.
 - Your proxy may delegate his/her authority to act on your behalf to another person, subject to any restriction set out in this form of proxy.
 - This form of proxy must be delivered to the transfer secretaries of the Company, namely Computershare Investor Services Proprietary Limited, before your proxy exercises any of your rights as a shareholder at the annual general meeting.
 - The appointment of your proxy or proxies will be suspended at any time to the extent that you choose to act directly and in person in the exercise of any of your rights as a shareholder at the annual general meeting.
 - The appointment of your proxy is revocable unless you expressly state otherwise in this form of proxy.
 - As the appointment of your proxy is revocable, you may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy and (ii) delivering a copy of the revocation instrument to the proxy and to the Company. Please note the revocation of a proxy appointment constitutes a complete and final cancellation of your proxy's authority to act on your behalf as of the date stated in the revocation instrument, if any, or the date on which the revocation instrument was delivered to the Company and the proxy as aforesaid.
 - If this form of proxy has been delivered to the Company, as long as that appointment remains in effect, any notice that is required by the Companies Act, or the Company's Memorandum of Incorporation to be delivered by the Company to you will be delivered by the Company to you or your proxy or proxies, if you have directed the Company to do so, in writing and paid any reasonable fee charged by the Company for doing so.
1. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant

number of votes exercisable by that shareholder in the appropriate box provided. If there is no clear indication as to the voting instructions to the proxy, the form of proxy will be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she deems fit in respect of all the shareholders' votes exercisable thereat.

2. If no proxy is inserted in the spaces provided, then the Chairman shall be deemed to be appointed as the proxy to vote or abstain as the Chairman deems fit.
3. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy. A proxy shall be entitled to demand that voting take place on a poll.
4. For administrative purposes only, forms of proxy should reach the registered address of the Company or the Company's transfer secretaries (as set out below) no later than 14:30 on Wednesday, 29 August 2018, being no later than 48 (forty-eight) hours before the annual general meeting to be held at 14:30 on Friday, 31 August 2018, provided that the Chairman of the annual general meeting will accept proxies that have been delivered after the expiry of the aforementioned period up and until the time of commencement of the annual general meeting.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form of proxy unless previously recorded by the Company or waived by the Chairman of the annual general meeting. CSDPs or brokers registered in the Company's sub-register voting on instructions from beneficial owners of shares registered in the Company's sub-register, are requested that they identify the beneficial owner in the sub-register on whose behalf they are voting and return a copy of the instruction from such owner to the Company or to the Company's transfer secretaries, together with this form of proxy.
6. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies, but may not be accepted by the Chairman.
7. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company.

Registered address

1st Floor
61 Katherine
Street, Sandton,
2196

Transfer secretaries

Computershare Investor Services
Proprietary Limited
Rosebank Towers,
15 Biermann Avenue,
Rosebank, Johannesburg, 2196

General INFORMATION

Country of incorporation and domicile	Republic of South Africa
Date of incorporation	The Company was incorporated as a private company on 3 December 2014 under the name Firefly Investment 285 Proprietary Limited. On 2 June 2015 the Company was converted into a public company and changed its name to Capital Appreciation Limited.
Registered office	1st Floor 61 Katherine Street Sandton 2196
Registration number	2014/253277/06
Tax number	9591281176
JSE share code	CTA
ISIN	ZAE000208245
FTSE Industrial Classification Benchmark sector	Software and Computer Services
Telephone	+27 010 025 1000
Email	investor@capitalappreciation.co.za
Website	www.capitalappreciation.co.za
Company Secretary	Horwath Leveton Boner 3 Sandown Valley Crescent Sandown 2196
Auditors	Ernst & Young Inc. 102 Rivonia Road Sandton 2196
Financial advisor	Macquarie First South Capital Proprietary Limited The Place South Building 1 Sandton Drive Sandton 2196
Legal advisors	Webber Wentzel 90 Rivonia Road Sandton 2196
Sponsor	Investec Bank Limited 100 Grayston Drive Sandown Sandton 2196
Transfer secretary	Computershare Investor Services Proprietary Limited Rosebank Towers 15 Biermann Avenue Rosebank Johannesburg 2196
Bankers	Absa Bank Limited, Barclays Towers West 7th floor 15 Troye Street Johannesburg 2001 Investec Bank Limited 100 Grayston Drive Sandown Sandton 2196





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