

**Capital Appreciation Limited**  
**Incorporated in the Republic of South Africa**  
**(Registration number 2014/253277/06)**  
**Tax number 9591281176**  
**JSE Share Code: CTA**  
**ISIN: ZAE000208245**  
**(the "Company")**

## **CONDENSED AUDITED RESULTS FOR THE YEAR ENDED 31 MARCH 2017**

### **REVIEW OF ACTIVITIES**

The Directors have pleasure in presenting the captioned results and Review of Activities for the year ended 31 March 2017.

Shareholders will be aware that the Company was constituted as a Special Purpose Acquisition Company (SPAC) and was listed on the Main Board of the Johannesburg Stock Exchange (JSE) on 16 October 2015. Since that date, the Company managed its affairs strictly in terms of the JSE Listings Requirements governing SPACs, pursuant to which the principal assets of the company remained investment grade, interest-bearing cash deposits and the company's expenditure reflected the annual overhead costs referenced in the company's Pre-Listing Statement.

The Company's Executive considered numerous investment propositions during the year under review and after diligent research, analysis and assessment proposed three Fintech sector businesses for acquisition. The acquisitions were endorsed by the Independent Non-Executive Directors and the transactions were announced on SENS on 16 February 2017. A circular detailing the acquisitions was distributed to shareholders on 31 March 2017. At the Special General meeting held on 5 May 2017 (post year-end), shareholders approved the "viable asset" acquisitions of African Resonance, Dashpay and Synthesis.

For clarification, therefore, the results formally detailed herein relate solely to the Company in its capacity as a SPAC and its growth in profits and earnings per share are merely the result of the Company's disciplined investment activities and well managed expenditure.

Of greater interest to shareholders will be the required Regulatory disclosures under Note 7 herein, titled "Events after the reporting period", where detailed information is provided on each of the acquisitions. In addition, to enable shareholders to gain an appreciation of the financial performance of the acquired businesses, the following historical performance information is provided.

	EBITDA			Total Comprehensive Income		
	FY 2017	FY 2016	Increase	FY 2017	FY 2016	Increase
<b>African Resonance</b>	83,216,358	47,956,654	74%	50,801,398	20,284,813	150%
<b>Synthesis</b>	29,908,218	19,817,195	51%	21,379,793	14,562,239	47%

The financial year-end for each of African Resonance and Synthesis is 28 February and the information provided above has been extracted from the companies' audited annual financial statements for financial year ended 28 February 2017. The financial year-end of Dashpay and its holding company, Rinwell, is 30 June. Consequently, audited results for Dashpay have not yet been prepared but management accounts indicate that the EBITDA loss for fiscal year 2017 will be comparable to last year (approximately R6 million) and is consistent with our expectations. Going forward all companies will have the same year-end, 31 March.

The Company is officially classified under the FTSE Industry Classification Benchmark ("ICB") sector: Software and Computer Services with effect from the open of trade today, 19 June 2017. Historically, the Company was classified under the ICB sector: Nonequity Investment Instruments, while still operating as a SPAC.

## Prospects

Fintech is a classification used to describe innovative and transformative technologies disrupting traditional banking and financial services. These changes are 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 requirements for financial institutions to enhance regulatory compliance while simultaneously reducing their costs of delivery. These are huge market forces, the consequences of which are visible in the economy as a whole. These forces are expected to intensify and the changes they precipitate are expected to accelerate. Traditional financial and banking institutions are rapidly embracing the idea of Fintech recognising that Fintech presents an opportunity to reduce cost, enhance customer experience and drive revenue and that their businesses are otherwise vulnerable as the digital economy changes customer behaviour.

African Resonance and Synthesis are established players in their respective fields and well positioned to continue supporting and expanding their innovative service offerings to their banking and institutional clients. The increasing demands for African Resonance and Synthesis solutions are already evident in the growth of each enterprise over the past year.

Dashpay has an exciting and compelling technology platform and a suite of products and solutions that have broad applicability to financial institutions in South Africa, across the continent and beyond. The Dashpay solutions are still under development but are expected to enable financial institutions to innovate and enjoy a step change in the merchant acquiring services they provide. The solutions make the concept of "universal acquiring", now globally recognised as critical to having a successful merchant acquiring offering, seamless and cost effective. Universal acquiring (i.e. allowing a single device to be used by multiple parties to offer multiple and differentiated products and services) will drive penetration among retailers, allow financial and banking institutions to offer tailored solutions to their clients and should materially reduce bank customer churn. It is expected that the Dashpay solutions and service offerings will be formally unveiled during the current financial year.

Whilst it may seem longer, it has been only seven weeks since the acquisitions of African Resonance, Dashpay and Synthesis were completed and the management teams have been actively involved in integration and transition matters. We are pleased to note that the underlying trading of each of the businesses is performing well and in line with our expectations.

While the general economy and political climate in South Africa is somewhat erratic and uncertain, the Fintech space nevertheless presents numerous market opportunities for greater penetration and expansion. The CAPPREC Board is cautiously confident about the growth prospects of the Group for the year ahead.

The Condensed Audited Financial Statements for the year ended 31 March 2017 follow hereunder.

**CONDENSED STATEMENT OF FINANCIAL POSITION**  
**AT 31 MARCH 2017**

	<b>2 017</b>	<b>2 016</b>
	<b>R</b>	<b>R</b>
<b>Assets</b>		
Non-Current Assets		
Property, plant and equipment	211,725	172,685
	211,725	172,685
<b>Current Assets</b>		
Accounts receivable, interest receivable and prepayments	589,232	479,640
Taxation receivable	247,229	-
Cash and cash equivalents	1,047,788,681	1,008,020,404
	<b>1,047,788,681</b>	<b>1,008,020,404</b>
<b>Total Assets</b>	<b>1,047,788,681</b>	<b>1,008,020,404</b>
Equity and Liabilities		
Equity		
Redeemable ordinary share capital	1,000,002,500	1,000,002,500
Constituent ordinary share capital	4,000,000	4,000,000
Constituent costs	-	(22,543,311)
Accumulated profit	38,820,070	22,158,579
	<b>1,042,822,570</b>	<b>1,003,617,768</b>

Liabilities		
Current Liabilities		
Accounts payable	6,014,297	4,969,177
Taxation liability	-	85,784
	<b>6,014,297</b>	<b>5,054,961</b>
<b>Total Equity and Liabilities</b>	<b>1,048,836,867</b>	<b>1,008,672,729</b>

#### CONDENSED STATEMENT OF COMPREHENSIVE INCOME

	2 017	2 016
	R	R
Revenue	80,172,952	32,995,626
Operating expenses	(5,083,751)	(2,214,856)
Costs associated with acquisition of a viable asset	(14,774,993)	-
Profit before taxation	60,314,208	30,780,770
Taxation	(21,109,406)	(8,622,191)
Profit for the year	39,204,802	22,158,579
Other comprehensive income	-	-
Total comprehensive profit for the year	39,204,802	22,158,579
Earnings per share (cents)		
Basic earnings per share (cents)	3,14	1,77
Diluted earnings per share (cents)	3,14	1,77
Headline earnings per share (cents)	3,14	1,77
Redeemable ordinary shares in issue	1,250,000,000	1,250,000,000

**CONDENSED STATEMENT OF CHANGES IN EQUITY**

	Redeemable ordinary share capital	Constituent ordinary share capital	Constituent costs	Accumulated profit	Total equity
	R	R	R	R	R
Issue of ordinary share capital	*				*
Balance at 1 March 2015	*				*
Conversion of ordinary share capital to constituent ordinary share capital	( *)				*
Issue of redeemable ordinary share capital	1,000,000,000				1,000,000,000
Issue of founders' initial ordinary share capital	7,500				7,500
Issue of constituent ordinary share capital		4,000,000			4,000,000
Redemption of founders' initial ordinary share capital	(5,000)				(5,000)
Redemption of constituent ordinary share capital		*			*
Constituent costs			(22,543,311)		(22,543,311)
Total comprehensive profit for the period				22,158,579	22,158,579
Balance at 31 March 2016	1,000,002,500	4,000,000	(22,543,311)	22,158,579	1,003,617,768
Total comprehensive profit for the year				39,204,802	39,204,802
Transfer of constituent costs to accumulated profit			22,543,311	(22,543,311)	-
<b>Balance at 31 March 2017</b>	<b>1,000,002,500</b>	<b>4,000,000</b>	<b>-</b>	<b>38,820,070</b>	<b>1,042,822,570</b>

## CONDENSED STATEMENT OF CASH FLOWS

	2017	2016
	R	R
Cash flow from operating activities		
Cash flows (utilised) / generated in operating activities	(18,770,820)	2,283,658
Interest income	80,166,500	32,995,626
Tax paid	(21,442,419)	(8,536,407)
Net cash from operating activities	39,953,261	26,742,877
Cash flows from investing activities		
Property, plant and equipment	(184,984)	(181,662)
Net cash used in investing activities	(184,984)	(181,662)
Cash flows from financing activities		
Issue of redeemable ordinary share capital		1 000,000,000
Issue of founders' initial ordinary share capital		2,500
Issue of constituent ordinary share capital		4,000,000
Payment of constituent costs		(22,543,311)
Net cash from financing activities		981,459,189
Total cash movement for the year	39,768,277	1,008,020,404
Total cash and cash equivalents at beginning of the year	1,008,020,404	-
Total cash and cash equivalents at end of the year	1,047,788,681	1,008,020,404

### 1. Basis of preparation

The condensed audited financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), IAS 34 Interim Financial Reporting Standards, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the South African Companies Act, 71 of 2008, as amended and the Listings Requirements of the JSE Limited. The accounting policies and methods of computation used in the preparation of this report are consistent with those of the previous year and with those applied in the annual financial statements for the year ended 31 March 2017.

## 2. Share capital

Share capital	2017	2016
Authorised shares	<b>Number</b>	<b>Number</b>
Redeemable 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	<b>Number</b>	<b>Number</b>
Redeemable ordinary shares of no par value	1,250,000,000	1,250,000,000
Constituent ordinary shares of no par value	4	4
	<b>R</b>	<b>R</b>
Redeemable ordinary shares of no par value	1,000,002,500	1,000,002,500
Constituent ordinary shares of no par value	4,000,000	4,000,000
	1,004,002,500	1,004,002,500
Reconciliation of issued redeemable ordinary shares		
Number of issued redeemable ordinary shares at the beginning of the year	1,250,000,000	-
Founders initial ordinary shares issued at date of listing		750,000,000
Subscription for redeemable ordinary shares at date of listing		1,000,000,000
Redemption of founders' initial ordinary shares		(500,000,000)
Number of issued redeemable ordinary shares at the end of the year	1,250,000,000	1,250,000,000

The unissued shares are under the control of the directors.

## 3. Revenue

Bank - interest income	80,172,952	32,995,626
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Total interest income is calculated and received at the negotiated interest rates with level A1 financial institutions on cash held on call and notice deposits.

#### **4. Related parties**

- 4.1 In terms of International Accounting Standards (IAS 24) the Company is obliged to disclose parties that directly or indirectly fall within the scope and definition of a Related.
- 4.2 The Company has 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 redeemable ordinary shares held by the Trust. The Trust initially subscribed for 50,000,000 redeemable ordinary shares and 25,000,000 founders initial ordinary shares. These shares are currently held by CAET Holdings (Pty) Ltd of which the Trust is a 100% shareholder. The funding for the initial subscription was facilitated through facilities granted by CAET Holdings (Pty) Ltd. As part of the funding structure, Albanta Trading 101 (RF) (Pty) Ltd was incorporated and is a 100% shareholder of CAET Holdings (Pty) Ltd. The Trust is included as a Related Party as the Chairman of the Company serves as a Trustee of the Trust. The Trust, CAET Holdings (Pty) Ltd and Albanta Trading 101 (Pty) Ltd are indebted to the Company to the sum of R157,154 related to certain administrative expenses.
- 4.3 Given the 26.66% shareholding by the Government Employees Pension Fund in the Company 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 Company. Accordingly, the Government Employees Pension Fund fall within the definition of a Related Party.
- 4.4 In terms of the undertakings by the constituent shareholders set out in the Pre-Listing Statement, the constituent shareholders subscribed for 4 constituent ordinary shares in the Company in the amount of R4 million. The proceeds thereof were used as a contribution towards the constituent costs. The constituent shareholders, B Sacks, M Sacks, M Pimstein and A Salomon consequently and collectively fall within the definition of a Related Party.

#### **5. Fair Values**

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

#### **6. Going Concern**

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

#### **7. Events after the reporting period**

##### **7.1 Acquisition of African Resonance**

The Company acquired 100% of the shares in African Resonance 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 will be 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:

	<b>Fair value recognised on acquisition</b>
	<b>R</b>
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	9,967,219
Current other financial liabilities	8,473,713
Taxation	4,102,053
	25,997,959
Total identifiable net assets at fair value	92,012,756
Goodwill and intangible assets arising on acquisition	393,887,244
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

In terms of IFRS 3 - Business Combinations, management will perform a final purchase price allocation ('PPA') to determine the fair value of the assets and liabilities acquired. The final PPA exercise will be completed during the course of the 2018 financial year.

## 7.2 Acquisition of Rinwell

The Company acquired 100% of the shares in Rinwell which is 100% shareholder of Dashpay ("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 will be accounted for in terms of IFRS 3 - Business Combinations.

Assets acquired and liabilities assumed

	<b>Fair value recognised on acquisition</b>
	<b>R</b>
<b>Assets</b>	
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
<b>Liabilities</b>	
Trade and other payables	5,802,432
Current other financial liabilities	10,484,372
Bank overdraft	17,052
	16,303,856
Total identifiable net assets at fair value	1,032,164
Goodwill and intangible assets arising on acquisition	223,967,836
Purchase consideration transferred	
Purchase consideration	225,000,000

Cash

In terms of IFRS 3 - Business Combinations, management will perform a final purchase price allocation ('PPA') to determine the fair value of the assets and liabilities acquired. The final PPA exercise will be completed during the course of the 2018 financial year.

The Company granted 15 million shares in respect of a restraint of trade agreement entered into with the owner of Rinwell. For the purposes of this information, these 15 million shares are valued at the market price of 83 cents per share at the closing date of 5 May 2017 amounting to R12.45 million which will be accounted for in terms of IAS19 and expensed on the day of the award.

### 7.3 Acquisition of Synthesis

The Company 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 provides a variety of technology solutions, services and related technical support services to financial institutions and others in the financial services sector. The acquisition will be 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:

	<b>Fair value recognised on acquisition</b>
<b>Assets</b>	<b>R</b>
Property, plant and equipment	969,502
Investment in associate	980,000
Goodwill	1,294,696
Deferred taxation	525,583
Loan to shareholder	4,153,532
Trade, other receivables and prepayments	22,140,957
Cash and cash equivalents	6,613,473
	<b>36,677,743</b>
<b>Liabilities</b>	
Non-current deferred income	8,281,250
Trade and other payables	4,363,601
Taxation	1,483,387
Current portion of deferred income	1,325,000
Current portion of long term loan	10,132,526
	<b>25,585,764</b>

Total identifiable net assets at fair value	11,091,979
Goodwill and intangible assets arising on acquisition	154,071,021
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

In terms of IFRS 3 - Business Combinations, management will perform a final purchase price allocation ('PPA') to determine the fair value of the assets and liabilities acquired. The final PPA exercise will be completed during the course of the 2018 financial year.

## 8. Dividends

No dividend was declared during the year under review.

## 9. Preparation

Mr. A Salomon (CA(SA)), Chief Financial Officer, is responsible for this set of financial statements and has supervised the preparation thereof in conjunction with the Financial Manager, Ms. C Sacharowitz (CA(SA)). These condensed financial statements for the year ended 31 March 2017 have not been audited or reviewed by Ernst & Young Inc. and was extracted from the audited annual financial statements on which Ernst & Young Inc. expressed an unmodified opinion thereon. The auditors also expressed an unmodified opinion on the annual financial statements from which these summary financial statements were derived. A copy of the auditors' report on the annual financial statements are available for inspection at the Company's registered office.

The auditors' report does not necessarily report on all of the information contained in this announcement. Any reference to pro forma or future financial information included in this announcement has not been reviewed or reported on by the auditors. Shareholders are advised that in order to obtain a full understanding of the nature of the auditors' engagement they should obtain a copy of that report together with the accompanying financial information from the Company's registered office.

By order of the Board

**Chairman**

Michael Sacks

**Chief Financial Officer**

Alan Salomon

**Directors**

M Sacks (Chairman), M Pimstein\*(Chief Executive), B Sacks\*(Chief Executive), A Salomon\*, Dr. D Matjila, R Morar, B Bullo, J M Kahn, V Sekese, C Valkin \*Executive

**Registered Office**

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**Company Secretary**

Horwath Leveton Boner

**Auditors**

Ernst & Young Inc.

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19 June 2017