

Capital Appreciation

Capital Appreciation Limited

Incorporated in the Republic of South Africa
(Registration number 2014/253277/06)
JSE share code: CTA ISIN: ZAE000208245
(the "Company")

SHORT-FORM PRESS ANNOUNCEMENT OF THE 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 is the following historical performance information for each of the acquisitions, for purposes of evaluation and measurement.

	EBITDA			Total comprehensive income		
	FY2017	FY2016	Increase	FY2017	FY2016	Increase
African Resonance	83 216 358	47 956 654	74%	50 801 398	20 284 813	150%
Synthesis	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 Industrial 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 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.

By order of the Board

Michael Sacks
Chairman

Alan Salomon
Chief Financial Officer

SUMMARY STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2017

	2017 R	2016 R
Assets		
Non-current assets		
Property, plant and equipment	211 725	172 685
	211 725	172 685
Current assets		
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
	1 048 625 142	1 008 500 044
Total assets	1 048 836 867	1 008 672 729
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
	1 042 822 570	1 003 617 768

Liabilities

Current liabilities

Accounts payable	6 014 297	4 969 177
Tax liability	–	85 784
	6 014 297	5 054 961
Total equity and liabilities	1 048 836 867	1 008 672 729

SUMMARY STATEMENT OF COMPREHENSIVE INCOME

	2017 R	2016 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 and diluted earnings per share (cents)	3,14	1,77
Headline earnings per share (cents)	3,14	1,77
Number of redeemable ordinary shares in issue	1 250 000 000	1 250 000 000

SHORT-FORM NOTICE

This short-form announcement is the responsibility of the Directors of the Company. It is a summary of the announcement released on SENS and published on the Company's website (www.CapitalAppreciation.co.za), and does not contain the complete announcement details. Copies of the full announcement are available for inspection and may also be requested at the Company's registered office during office hours at no charge. Any investment decisions by investors and/or shareholders should be based on consideration of the full announcement.

Directors

M Sacks* (Chairman), M Pimstein* (Joint Chief Executive), B Sacks* (Joint Chief Executive), A Salomon*, Dr D Matjila#, R Morar#, B Bulu#, JM Kahn#, V Sekese#, C Valkin#

*Executive #Non-executive

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Sponsor

Investec Bank Limited

Published 19 June 2017

Company Secretary

Horwath Leveton Boner

Auditors

Ernst & Young Inc.