# CAPITAL APPRECIATION LIMITED

# COMPANY AUDITED ANNUAL FINANCIAL STATEMENTS '18

## Index

The reports and statements set out below comprise the annual financial statements presented to shareholders:



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)).

25 June 2018

# Company Secretary's CERTIFICATION

I, the 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, 71 of 2008, as amended, and that all such returns are true, correct and up to date.

Horwath Leveton Boner

**Peter Katz**
*Horwath Leveton Boner*
Johannesburg
25 June 2018

# Directors' responsibilities AND APPROVAL

The directors are required in terms of the Companies Act, 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 Company 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 Company 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 Company, and all employees are required to maintain the highest ethical standards in ensuring the Company's business is conducted in a manner that, in all reasonable circumstances, is above reproach. The focus of risk management in the Company is on identifying, assessing, managing and monitoring all known forms of risk across the Company. While operating risk cannot be fully eliminated, the Company 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 Company'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 Company 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 Company's financial statements. The financial statements have been examined by the Company's external auditors and their report is presented on page 2.

The financial statements set out on pages 8 to 11, which have been prepared on the going concern basis, were approved by the Board on 25 June 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 Financial Statements

***Opinion***

We have audited the separate financial statements of Capital Appreciation Limited set out on pages 12 to 32, which comprise the separate statement of financial position as at 31 March 2018, and the separate statement of profit or loss and other comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards 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 Financial Statements section of our report. We are independent of the company 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 financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

***Other Information***

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 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 Financial Statements***

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company'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 company or to cease operations, or have no realistic alternative but to do so.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Company'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 company'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 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the company 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 determine those matters that were of most significance in the audit of the 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.

***Other matter***

The company has prepared a consolidated set of annual financial statements for the year ended 31 March 2018 incorporating Capital Appreciation Limited and its subsidiaries in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa 2008 on which separate auditors' reports to the shareholders of Capital Appreciation Limited dated 28 May 2018 has been issued.

# Independent AUDITOR'S REPORT continued

**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 3 years.

Ernst & Young Inc.

**Ernst & Young Inc.**
**Director – Lance Tomlinson**
*Registered Auditor*
*Chartered Accountant (SA)*
Date: 25 June 2018

# Directors' REPORT

## 1. INTRODUCTION

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

**Nature of business**

Capital Appreciation Limited ("the Company") owns, manages, invests in, and promotes established and developing financial technology ("FinTech") enterprises, their platforms, solutions, products and applications. The Company has two business segments – Payments and Payment Infrastructure and Software and Services. African Resonance and Dashpay comprise the Payments sector and Synthesis comprises the Software sector. 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 Company'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 Company 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 Company 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 Company's website, at www.capitalappreciation.co.za.

## 2. CHANGES TO BOARD OF DIRECTORS

Professor Hanoch Neishlos, the founder of African Resonance, was appointed to the Company 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.

## 3. AUTHORISED AND ISSUED SHARE CAPITAL

At 31 March 2018, the authorised share capital of the Company 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 Company compromises 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 Company no longer is categorised as a SPAC and accordingly the authorised and issued share capital is no longer redeemable and are now described as ordinary shares of no par value.

## 4. DIVIDENDS

An interim dividend of 2 cents per ordinary share (gross) was declared during the year amounting to R31.1 million (2017: Nil).

## 5. 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 Company
- 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 Company
- 13 February 2018, authority granted to enter into a Suretyship Agreement with the Company'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 Bulo 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 Company
- 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

## 6. 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) | **3 Mar 15** | **2/2** | |
| B Bulo | **15 Sep 15** | **2/2** | **2/2** |
| J Kahn | **15 Sep 15** | **2/2** | |
| D Matjila[1] | **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 | **3 Mar 15** | **2/2** | |
| B Sacks | **19 Mar 15** | **2/2** | |
| A Salomon | **3 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.

[1] *Resigned 15 May 2018.*

## 7. DIRECTORS' SHAREHOLDING

The individual interests declared by the current directors and officers held in the Company 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.*

## 8. DIRECTORS' REMUNERATION

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

| | **2018 R** | 2017 R |
|---|---|---|
| **Non-executive directors** | | |
| B Bulo | **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.

### 9. DIRECTORS' AND OFFICERS' DISCLOSURE OF INTEREST IN CONTACTS
During the current and prior financial years, no contracts were entered into in which directors and officers of the Company had an interest and would significantly affect the business of the Company. The directors have no interest in any third party or Company responsible for managing any of the business activities of the Company.

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

| | % held | |
|---|---|---|
| Shareholder | **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% |

### 11. 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.

### 12. YEAR END
The Company and Company's year-end is 31 March. As acquisitions of Payments and Software and 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.

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

### 14. DATE OF ISSUE OF ANNUAL FINANCIAL STATEMENTS
The audited annual financial statements were approved by the Board of Directors on 25 June 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.

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

# Statement of FINANCIAL POSITION

at 31 March 2018

| Figures in Rand | Notes | 2018 | 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| Property, plant and equipment | 3 | **266 592** | 211 725 |
| Investment in subsidiaries | 4 | **890 539 473** | – |
| Interest in associates | 5 | **28 788 309** | – |
| **Non-current assets** | | **919 594 374** | 211 725 |
| Accounts receivable | 6 | **2 521 312** | 589 232 |
| Other financial assets | 7 | **45 533 003** | – |
| Taxation receivable | | **307 959** | 247 229 |
| Cash and cash equivalents | 8 | **377 349 655** | 1 047 788 681 |
| **Current assets** | | **425 711 929** | 1 048 625 142 |
| **Total assets** | | **1 345 306 303** | 1 048 836 867 |
| **EQUITY AND LIABILITIES** | | | |
| **Capital and reserves** | | | |
| Share capital | 10 | **1 253 152 500** | 1 000 002 500 |
| Constituent ordinary share capital | | **–** | 4 000 000 |
| Share-based payment reserve | 11 | **250 500** | – |
| Contingent consideration reserve | 12 | **24 900 000** | |
| Retained income | | **54 904 066** | 38 820 070 |
| **Total equity** | | **1 333 207 066** | 1 042 822 570 |
| Contingent consideration | 12 | **8 689 618** | – |
| **Non-current liabilities** | | **8 689 618** | – |
| Accounts payables | 13 | **3 409 619** | 6 014 297 |
| **Current liabilities** | | **3 409 619** | 6 014 297 |
| **Total equity and liabilities** | | **1 345 306 303** | 1 048 836 867 |

# Statement of COMPREHENSIVE INCOME

for the year ended 31 March 2018

| Figures in Rand | Notes | 2018 | 2017 |
|---|---|---|---|
| **REVENUE** | 15 | **61 654 134** | 80 172 952 |
| Other income | 16 | **27 662 571** | |
| Operating expenses | 17 | **(8 059 683)** | (5 014 412) |
| **Trading profit** | | **19 602 888** | (5 014 412) |
| Depreciation | | **(88 194)** | (69 339) |
| Acquisition costs | | **(567 799)** | (14 774 993) |
| **Operating profit** | | **18 946 895** | (19 858 744) |
| Finance income | 18 | **33 991 563** | 80 172 952 |
| Finance costs | | **(526 618)** | |
| Equity accounted loss in associate | 5 | **(958 211)** | |
| **Profit before taxation** | | **51 453 629** | 60 314 208 |
| Taxation | 19 | **(8 269 633)** | (21 109 406) |
| **Profit after taxation** | | **43 183 996** | 39 204 802 |
| Other comprehensive income | | **-** | - |
| **Total comprehensive income for the year** | | **43 183 996** | 39 204 802 |

# 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** |
| Cash dividend paid | **-** | **-** | **-** | **-** | **-** | **(31 100 000)** | **(31 100 000)** |
| Total comprehensive income for the year ended 31 March 2018 | **-** | **-** | **-** | **-** | **-** | **43 183 996** | **43 183 996** |
| **Balance at 31 March 2018** | **1 253 152 500** | **-** | **-** | **250 500** | **24 900 000** | **54 904 066** | **1 333 207 066** |

# Statement of CASH FLOWS

for the year ended 31 March 2018

| Figures in Rand | Notes | 2018 | 2017 |
| --- | --- | --- | --- |
| **Cash flows from operations** | 20 | **(9 003 145)** | (18 770 820) |
| Finance income received | | **33 991 563** | 80 166 500 |
| Dividends paid | | **(31 100 000)** | - |
| Dividends received | | **24 000 000** | - |
| Taxation paid | | **(8 330 361)** | (21 442 419) |
| **Net cash flows from operating activities** | | **9 558 057** | 39 953 261 |
| **Cash flows from investing activities** | | | |
| Acquisition of property, plant and equipment | | **(172 178)** | (184 984) |
| Proceeds on disposal of property, plant and equipment | | **42 991** | - |
| Acquisition of subsidiary businesses | | **(604 075 973)** | - |
| Acquisition of associate | | **(29 746 520)** | - |
| Loan to subsidiary | | **(41 020 612)** | - |
| Loan to associate | | **(5 024 791)** | - |
| **Net cash flows from investing activities** | | **(679 997 083)** | (184 984) |
| Net (decrease)/increase in cash and cash equivalents | | **(670 439 026)** | 39 768 277 |
| Cash and cash equivalents at beginning of the year | | **1 047 788 681** | 1 008 020 404 |
| **Cash and cash equivalents at end of the year** | | **377 349 655** | 1 047 788 681 |

# Notes to the FINANCIAL STATEMENTS
for the year ended 31 March 2018

## Accounting policies

### 1. PRESENTATION OF FINANCIAL STATEMENTS

The 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, 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 17. 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).

### 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 Company 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.

### 1.2 Property, plant and equipment

Property, plant and equipment are tangible assets which the Company 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 Company, 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 Company. 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 |

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 Impairment of non-financial assets**

The Company 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 Company 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 Company 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.

**1.4 Investment subsidiaries**

Investment in subsidiaries are carried at cost and subsequently measured at cost less impairment losses.

**1.5 Investment in associates**

An associate is an entity over which the Company 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 Company'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 Company'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 Company's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Company recognises its share of any changes, when applicable, in the statement of changes in equity.

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

The aggregate of the Company'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 Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company. After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate or joint venture. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Company 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.

### 1.6 Financial instruments

***Initial recognition and measurement***

Financial instruments are recognised initially when the Company becomes a party to the contractual provisions of the instruments. The Company 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 Company's financial assets include accounts receivables and cash and cash equivalents.

The Company'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 Company 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 Company of financial assets has been impaired.

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 Company 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.

**1.7 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.

**1.8 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.

**1.9 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.

**1.10 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, 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 Company 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 11.

That cost is recognised in employee benefits expense, 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 Company'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 Company'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 counter party, 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).

### 1.11 Provisions and contingencies

Provisions are recognised when:

- the Company 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.

### 1.12 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 Company 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 Company 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 Company:

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 Company will have sufficient taxable profit in future periods.

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

The impact of the amendment is not material.

## 2.2 Standards and interpretations not yet effective

| Standard/amendment | Applied/ effective | Impact |
|---|---|---|
| *IFRS 9 Financial Instruments* | 1 Jan 18 | The amendments affect the classification, measurement and derecognition of financial assets and financial liabilities. The amendment will be adopted by the Company for its financial reporting period ending after the date the statement comes into effect. The Company does not expect a significant impact from the adoption of this statement. |
| *IFRS 15 Revenue from Contracts with Customers* | 1 Jan 18 | The Company is currently assessing the impact of IFRS 15 and plans to adopt the standard for the first time in the 2019 annual financial statements. |
| *IFRS 2 Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2* | 1 Jan 18 | The Company is currently assessing the impact of IFRS 2 and plans to adopt the standard for the first time in the 2019 annual financial statements. |
| *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – Amendments to IFRS 4* | 1 Jan 18 | These amendments are not expected to have any impact on the Company |
| *Transfers of Investment Property – Amendments to IAS 40* | 1 Jan 18 | These amendments are not expected to have any impact on the Company |
| *IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration* | 1 Jan 18 | The Company is currently assessing the impact of IFRIC 22 and plans to adopt the standard for the first time in the 2019 annual financial statements |
| *AIP IFRS 1 First-time Adoption of International Financial Reporting Standards – Deletion of short term exemptions for first-time adopters* | 1 Jan 18 | These amendments are not expected to have any impact on the Company |
| *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* | 1 Jan 18 | The Company is currently assessing the impact of IAP IAS 28 and plans to adopt the standard for the first time in the 2019 annual financial statements. |
| *IFRS 16 Leases New standard* | 1 Jan 19 | The impact of these amendments are currently being evaluated by the Company. |
| *IFRIC Interpretation 23 Uncertainty over Income Tax Treatments* | 1 Jan 19 | The Company is currently assessing the impact of IFRIC Interpretation 23 and plans to adopt the new standard on the required effective date. |
| *Prepayment Features with Negative Compensation – Amendments to IFRS 9* | 1 Jan 19 | The Company is currently assessing the impact of IFRS 9 and plans to adopt the new standard on the required effective date. |
| *Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28* | 1 Jan 19 | The Company is currently assessing the impact of IAS 28 and plans to adopt the new standard on the required effective date. |

| Figures in Rand | Cost | 2018 Accumulated depreciation | Carrying value |
|---|---|---|---|
| **3. PROPERTY, PLANT AND EQUIPMENT** | | | |
| Office and IT equipment | **222 832** | **(110 812)** | **112 020** |
| Furniture and fixtures | **174 641** | **(20 069)** | **154 572** |
| **Total** | **397 473** | **(130 881)** | **266 592** |

| | Opening balance | Additions | Disposals | Depreciation | Carrying value |
|---|---|---|---|---|---|
| **Reconciliation of property, plant and equipment** | | | | | |
| Office and IT equipment | **139 157** | **72 178** | **(29 117)** | **(70 198)** | **112 020** |
| Furniture and fixtures | **72 568** | **100 000** | | **(17 996)** | **154 572** |
| | **211 725** | **172 178** | **(29 117)** | **(88 194)** | **266 592** |

| Figures in Rand | Cost | 2017 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 |

| Figures in Rand | 2018 | 2017 |
|---|---|---|
| **4. INTEREST IN SUBSIDIARIES** | | |
| **Opening balance** | – | – |
| Acquisitions during the year | 890 539 473 | – |
| **Closing balance** | 890 539 473 | – |

On 5 May 2017 the Company acquired 100% of the shares in African Resonance Proprietary Limited, Rinwell Proprietary Limited, Dashpay Proprietary Limited and Synthesis Software Technologies Proprietary Limited. Investments in subsidiaries are valued at cost.

## 5. INTEREST IN ASSOCIATES

| | | |
|---|---|---|
| Unlisted investment | | – |
| 17 580 shares at cost | 29 746 520 | |
| Share of loss of associate | (958 211) | – |
| | 28 788 309 | – |

The Company 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 company's share of the loss amounted to AUD96 191 for the period 5 May 2017 – 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.

**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** | 17 739 905 | |
| Shareholders loans | 13 530 000 | |
| Other liabilities | 843 731 | |
| | 32 113 636 | |

# Notes to the FINANCIAL STATEMENTS continued

for the year ended 31 March 2018

| Figures in Rand | | 2018 | 2017 |
|---|---|---|---|
| **6.** | **ACCOUNTS RECEIVABLE** | | |
| | Accounts receivable | **714 285** | 519 232 |
| | VAT receivable | **86 240** | – |
| | Deposits | **1 720 787** | 70 000 |
| | | **2 521 312** | 589 232 |

Accounts receivable are receivable within 12 months and bear no interest.

| | | 2018 | 2017 |
|---|---|---|---|
| **7.** | **OTHER FINANCIAL ASSETS** | | |
| | Loan to subsidiary: CAPPREC Management Services Proprietary Limited | **41 020 613** | – |
| | Loan to associate: Resonance Australia Proprietary Limited | **4 512 391** | – |
| | | **45 533 004** | – |
| 7.1 | **Loan to subsidiary: CAPPREC Management Services Proprietary Limited** | | |
| | **Opening balance** | **–** | – |
| | Loan granted during the year | **41 020 612** | – |
| | **Closing balance** | **41 020 612** | – |

An interest free loan was granted to CAPPREC Management Services Proprietary Limited, a wholly owned subsidiary of the Company and is repayable on demand.

| | | 2018 | 2017 |
|---|---|---|---|
| 7.2 | **Loan to associate: Resonance Australia Proprietary Limited** | | |
| | **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.

| | | 2018 | 2017 |
|---|---|---|---|
| **8.** | **CASH AND CASH EQUIVALENTS** | | |
| | Cash and cash equivalents consists of: | | |
| | Bank balances | **1 316 216** | 2 828 725 |
| | Call and notice deposits | **376 033 439** | 1 044 959 956 |
| | | **377 349 655** | 1 047 788 681 |

Cash and cash equivalents comprises 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 Company 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 are considered to be high.

| Figures in Rand | 2018 | 2017 |
|---|---|---|
| **9. FINANCIAL ASSETS BY CATEGORY** | | |
| The accounting policies for the financial instruments have been applied to the line items below: | | |
| Cash and cash equivalents | **377 349 655** | 1 047 788 681 |
| Accounts receivable | **2 521 312** | 589 232 |
| Other financial assets | **45 533 004** | – |
| | **425 403 971** | 1 048 377 913 |

The carrying value is an approximation of fair value.

## 10. SHARE CAPITAL

| | 2018 | 2017 |
|---|---|---|
| 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 |
| Constituent ordinary shares of no par value | **–** | 4 |
| **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 |

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.

| | | |
|---|---|---|
| **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.

| Figures in Rand | 2018 | 2017 |
|---|---|---|

## 11. SHARE-BASED PAYMENTS

The Company's Share Incentive Scheme ("Scheme") grants options to employees of the Company. 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** | – |

| | **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 Company 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 Company 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; and
- 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 15$^{th}$ 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 options-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 |
|---|---|---|

## 12. CONTINGENT CONSIDERATION RESERVE

| | 2018 | 2017 |
|---|---|---|
| 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.

## 13. ACCOUNTS PAYABLES

| | 2018 | 2017 |
|---|---|---|
| Accrued expenses | **3 409 619** | 5 988 760 |
| Straight-lining of lease | **-** | 25 537 |
| | **3 409 619** | 6 014 297 |

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

## 14. FINANCIAL LIABILITIES BY CATEGORY

The accounting policies for the financial instruments have been applied to the line items below:

| | 2018 | 2017 |
|---|---|---|
| Accounts payable | **3 409 619** | 6 014 297 |
| | **3 409 619** | 6 014 297 |

The carrying value is an approximation of fair value.

## 15. REVENUE

| | 2018 | 2017 |
|---|---|---|
| Dividend received | **24 000 000** | – |
| Other income | **3 662 571** | – |
| Finance income | **33 991 563** | 80 172 952 |
| | **61 654 134** | 80 172 952 |

## 16. OTHER INCOME

| | 2018 | 2017 |
|---|---|---|
| Administration fees received from subsidiaries | **3 000 000** | |
| Sundry income | **662 571** | |
| | **3 662 571** | – |

## 17. OPERATING EXPENSES

| | 2018 | 2017 |
|---|---|---|
| **17. OPERATING EXPENSES** | **(8 059 683)** | (5 014 412) |
| **The following items are included within operating expenses:** | | |
| Operating lease straight-line expense – Office Property | **1 041 716** | 996 007 |
| Directors' emoluments | **355 000** | 370 000 |
| Employee costs | **1 154 412** | 852 670 |
| Audit fees | **1 088 239** | 422 940 |
| Unrealised foreign exchange loss | **512 400** | – |
| Public relations | **648 800** | – |
| Media announcements | **440 191** | 363 737 |
| JSE expenses | **285 355** | 303 373 |

| Figures in Rand | 2018 | 2017 |
|---|---|---|

## 18. FINANCE INCOME

**Interest revenue**

Bank

During the current year, the Company reconsidered the presentation of its 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.

## 19. TAXATION

| | 2018 | 2017 |
|---|---|---|
| **Current** | | |
| Local income tax current year | **8 269 633** | 21 109 406 |

| **Reconciliation of rate of taxation** | **%** | **%** |
|---|---|---|
| South African normal tax | **28.0** | 28.0 |
| **Adjusted for:** | | |
| – exempt dividend income | **(13.1)** | – |
| – disallowed expenditure* | **1.2** | 7.0 |
| – non-deductible share-based payment expense | **0.1** | – |
| Effective tax rate | **16.2** | 35.0 |

* *Disallowed expenditure consists mainly of acquisition costs.*

## 20. CASH FLOWS FROM OPERATING ACTIVITIES

| | 2018 | 2017 |
|---|---|---|
| Profit before taxation | **51 203 129** | 60 314 208 |
| **Adjustments for:** | | |
| Dividends received | **(24 000 000)** | |
| Depreciation | **88 194** | 69 339 |
| Finance income | **(33 991 563)** | (80 166 500) |
| Share-based payment expense | **250 500** | |
| Share of loss of associate | **958 211** | |
| Finance cost | **526 618** | |
| Unrealised foreign exchange loss | **512 400** | |
| (Profit)/loss on disposal of assets | **(13 876)** | 76 605 |
| **Changes in working capital:** | | |
| Accounts receivable | **(1 932 080)** | (111 505) |
| Accounts payables | **(2 604 678)** | (3 836 497) |
| | **(9 003 145)** | (23 654 350) |

| Figures in Rand | 2018 | 2017 |
|---|---|---|

## 21. COMMITMENTS

**Operating leases as lessee**

**21.1 Office Property**

| | 2018 | 2017 |
|---|---|---|
| **Minimum lease payments:** | | |
| Payable within one year | – | 689 472 |
| | – | 689 472 |

Operating lease payments represent rentals payable by the Company for its office property. The Company's two-year fixed lease expired on 30 November 2017, and the Company has been leasing the property monthly since that date.

**21.2 Office printer**

| | 2018 | 2017 |
|---|---|---|
| **Minimum lease payments:** | | |
| Payable within one year | **32 400** | – |
| Payable within two to five years | **129 600** | – |
| | **162 000** | – |

Operating lease payments represent rentals payable by the Company for its office printer. The Company's three-year fixed lease expiring on 1 May 2021. No escalation clause.

## 22. RELATED PARTIES

**22.1** 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 party.

**22.2** The Company 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 Company and 25 000 000 founders initial ordinary shares of the Company. 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. The Trust is included as a related party as the Chairman of the Company serves as one of the Trustees of the Trust. The Company finances bank charges and audit fees of the Trust and CAET Holdings (Pty) Ltd. The maximum exposure to loss from the interests in these unconsolidated structured entities is limited to the amount owing at year end:

| | | 2018 | 2017 |
|---|---|---|---|
| * The Trust | Trade and other receivables | **75 180** | 36 200 |
| * CAET Holdings (Pty) Ltd | Trade and other receivables | **112 870** | 56 610 |

## 22. RELATED PARTIES continued

**22.3** Given the 21.4% 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.

**Relationships**

| | |
|---|---|
| Subsidiaries | African Resonance Proprietary Limited<br>Rinwell Proprietary Limited<br>Dashpay Proprietary Limited<br>Synthesis Software Technologies Proprietary Limited<br>CAPPREC Management Services Proprietary Limited<br>Synthesis Empowerment Non-Profit Company |
| Associate | Resonance Australia Proprietary Limited |
| Executive directors and members of key management | M Sacks<br>B Sacks<br>A Salomon<br>M Pimstein |

| Figures in Rand | 2018 | 2017 |
|---|---|---|
| **Related party balances** | | |
| **Loan to:** | | |
| Resonance Australia Proprietary Limited | **4 512 391** | – |
| CAPPREC Management Services Proprietary Limited | **41 020 613** | – |
| 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 |
| **Administration fees received by and (costs paid) to related parties:** | | |
| African Resonance to Capital Appreciation Limited | **1 500 000** | – |
| Synthesis to Capital Appreciation Limited | **1 500 000** | – |
| Centric Capital Venture LLC | **(673 107)** | – |
| Directors fees | **(355 000)** | (370 000) |

## 23. DIRECTOR'S EMOLUMENTS

**Executive directors**

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

**Non-executive directors**

| **Fees for services as directors:** | | |
|---|---|---|
| B Bulo | **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.

## 24. RISK MANAGEMENT

**Capital risk management**

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

**Financial risk management**

The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company'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 Company incurs currency risk as a result of investment and loans to an associate in Australian Dollars, which are currencies other than the Company'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 Company's profit before and after tax for the year by approximately R900 000 and R650 000 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 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 R1.9 million and R1.4 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 Company 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 Company 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 Company's liquidity risk derives from the need to have sufficient funds available to cover future commitments. The Company manages liquidity risk through an ongoing review of future cash requirements. Cash flow forecasts are compared to cash available. The financial liabilities of Company are all due within the next 12 months.

| Figures in Rand | 2018 | 2017 |
|---|---|---|

## 24. RISK MANAGEMENT continued

**Credit risk** continued

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

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

| | 2018 | 2017 |
|---|---|---|
| Other financial assets | **45 533 003** | – |
| Accounts receivable | **2 435 072** | 233 605 |
| Cash and cash equivalents | **377 349 655** | 1 047 788 681 |

**Other financial assets**

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

***Accounts receivable***

The credit quality of accounts receivables that are neither passed due, not 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 accounts receivables which are not passed due is considered to be high.

***Cash and cash equivalents***

The maximum exposure to credit risk at the reporting date is the carrying amount. The Company 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 are considered to be high.

## 25. CLOSURE OF ESCROW AGREEMENT WITH BOWMAN GILFILLAN INC.

Subsequent to year-end and, post the shareholders' approval of the acquisitions of the viable assets at the General Meeting held on 5 May 2017, the final payments from the Escrow Managed Accounts were made. The Escrow Accounts were then closed in accordance with clause 11.2 of the Escrow Agreement.

## 26. 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 Company 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 Company had no financial instruments carried at fair value.

## 27. 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 R31 100 000.

## 28. POST-YEAR-END EVENTS

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

# 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<br>61 Katherine Street<br>Sandton<br>2196 |
| **Telephone** | +27 010 025 1000 |
| **Email** | investor@capitalappreciation.co.za |
| **Website** | www.capitalappreciation.co.za |
| **Company Secretary** | Horwath Leveton Boner<br>3 Sandown Valley Crescent<br>Sandown<br>2196 |
| **Auditor** | Ernst & Young Inc.<br>102 Rivonia road<br>Sandton<br>2196 |