CAPITAL APPRECIATION LIMITED

GROUP 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)).

28 May 2018

Group Company Secretary's CERTIFICATION

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

Peter Katz
Horwath Leveton Boner
Johannesburg
28 May 2018

Audit and risk COMMITTEE REPORT

1. MEMBERS OF THE AUDIT AND RISK COMMITTEE

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

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

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

2. MEETINGS HELD BY THE AUDIT AND RISK COMMITTEE

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

3. EXTERNAL AUDITOR

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

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

4. STATEMENT OF INTERNAL CONTROLS

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

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

5. FINANCIAL STATEMENTS

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

On behalf of the audit and risk committee

Victor Sekese
Chairman audit and risk committee
Johannesburg
28 May 2018

Directors' responsibilities AND APPROVAL

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

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

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

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

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

The external auditor is responsible for independently auditing and expressing an opinion on the Group's financial statements. The financial statements have been examined by the Group's external auditors and their report is presented on pages 4 to 6.

The financial statements set out on pages 13 to 16, which have been prepared on the going concern basis, were approved by the Board on 15 May 2018 in accordance with section 30(3)(c) of the Companies Act, 71 of 2008 and were signed on their behalf by:

Approval of financial statements

Michael (Motty) Sacks *Chairman*	**Michael Pimstein** *Joint Chief Executive Officer*
Alan Salomon *Chief Financial Officer*	**Bradley Sacks** *Joint Chief Executive Officer*

Independent AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CAPITAL APPRECIATION LIMITED

Report on the audit of the Group annual financial statements

Opinion

We have audited the Group annual financial statements of Capital Appreciation Limited set out on pages 13 to 45, which comprise the statement of financial position as at 31 March 2018, and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and notes to the Group annual financial statements, including a summary of significant accounting policies and other explanatory information.

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

Basis for opinion

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

Key audit matters

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

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

Key audit matter	How the matter was addressed in the audit
Business acquisitions and purchase price allocation On 5 May 2017, Capital Appreciation acquired the following businesses: • African Resonance Solutions Proprietary Limited for a purchase price of R485.9 million; • Rinwell Proprietary Limited, the sole shareholder of Dashpay Proprietary Limited, for a purchase price of R237.5 million; and • Synthesis Software Technologies Proprietary Limited (Synthesis) for a purchase price of R165.2 million. The Group prepared, with the help of valuation specialists, a purchase price allocation for these acquisitions, by which the purchase price is allocated to the assets and liabilities of the respective acquired company. This requires significant management judgement and estimates. The acquisitions and the purchase price allocation are disclosed in note 5 of the Group annual financial statements.	**Our procedures included the following:** • Reading the sale/purchase agreements • Reviewing the amounts that are included in the purchase consideration and evaluating whether they can be included as purchase consideration as per the requirements of IFRS 3 – Business Combinations • With the involvement of EY internal valuation specialists, assessed the appropriateness of the methodology applied by management in determining the fair valuation of acquired intangible and other assets and liabilities • Evaluating the key assumptions used in the purchase price allocation, including discount rates, cash flow projections and useful lives assigned Furthermore, we assessed the adequacy of the disclosures in the financial statements regarding these acquisitions.

Independent AUDITOR'S REPORT continued

Key audit matter	How the matter was addressed in the audit
Goodwill impairment At 31 March 2018 the Group's goodwill and intangible assets balance is valued at R728.6 million and R71.5 million respectively. This was partly as a result of the acquisitions made in the current year. Under IFRS, the Group is required to annually test for impairment of goodwill This review contains a number of assumptions that are subject to significant judgements and estimates, including growth rates and weighted average cost of capital, which are affected by expected future market conditions. The disclosures are made in notes 4 and 5 of the Group annual financial statements.	**Our procedures included the following:** We focused our testing on the key assumptions made by management and our procedures included: • Evaluating the determination of the cash-generating units • We evaluated the discounted cash flow models used in determining the value in use of the cash-generating units, by performing sensitivity analyses around the key assumptions including weighted average cost of capital and growth rates used in the models • We considered that the disclosures highlight the key sensitivities used by management in its sensitivity analysis

Other information

The directors are responsible for the other information. The other information comprises the Group Company Secretary's certification, audit and risk committee's report, directors' responsibilities and approval and the directors' report as required by the Companies Act, which we obtained prior to the date of this report, and the annual report, which is expected to be made available to us after that date. Other information does not include the Group financial statements and our auditor's report thereon.

Our opinion on the Group financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Group financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Group financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors for the Group financial statements

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

In preparing the Group financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Group financial statements

Our objectives are to obtain reasonable assurance about whether the Group financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Group financial statements.

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

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

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

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

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

Report on other legal and regulatory requirements

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

Ernst & Young Inc.

Ernst & Young Inc.
Director – Lance Ian Neame Tomlinson
Registered Auditor
Chartered Accountant (SA)
Date: 28 May 2018

Directors' REPORT

SALIENT FEATURES

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

1. INTRODUCTION

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

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

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

Nature of business

Capital Appreciation ("the Group") owns, manages, invests in, and promotes established and developing financial technology ("FinTech") enterprises, their platforms, solutions, products and applications. The Group has two business segments – Payments 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 Group's established banking and institutional client base. Synthesis is a highly specialised software and systems developer, offering consulting, integration services and technology-based product solutions, to banking and other financial institutions in South Africa and other emerging markets. Resonance Australia is an associate company investment in which the Group owns 17.45%. Resonance Australia is still in its early stages of development but, when operational, will employ a business model similar to that which Dashpay operates in South Africa.

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

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

Operating environment

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

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

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

Summarised financial results

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

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

Divisional review

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

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

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

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

Directors' REPORT continued

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

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

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

Prospects

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

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

Changes to Board of Directors

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

2. AUTHORISED AND ISSUED SHARE CAPITAL

At 31 March 2018, the authorised share capital of the Group comprises 10 000 000 000 ordinary shares of no par value and 4 000 constituent ordinary shares of no par value. The issued share capital of the Group 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 Group no longer is categorised as an SPAC, and accordingly the authorised and issued share capital is no longer redeemable and is now described as ordinary shares of no par value.

3. DIVIDENDS

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

4. MATERIAL RESOLUTIONS

The following resolutions were passed during the year:

Board resolutions

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

Shareholders' ordinary resolutions

- 10 August 2017, approval of the annual financial statements as at 31 March 2017
- 10 August 2017, re-election of V Sekese, B 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 Group
- 10 August 2017, general authority was granted to issue shares for cash

Shareholders' special resolutions

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

5. DIRECTORATE

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

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

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

Directors' REPORT continued

6. DIRECTORS' SHAREHOLDING

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

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

* *Held through Centric Capital Venture LLC.*

7. DIRECTORS' REMUNERATION

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

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

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

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

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

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

9. SHAREHOLDERS

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

	% 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%

10. SHARE OPTION PLAN

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

11. YEAR END

The Group's year-end is 31 March. As acquisitions of Payments 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.

12. GOING CONCERN

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

13. DATE OF ISSUE OF ANNUAL FINANCIAL STATEMENTS

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

14. AUDITORS

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

Group statement of FINANCIAL POSITION

at 31 March 2018

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

Group statement of COMPREHENSIVE INCOME

for the year ended 31 March 2018

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

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

Group statement of CHANGES IN EQUITY

for the year ended 31 March 2018

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

Group statement of CASH FLOWS

for the year ended 31 March 2018

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

Consolidated SEGMENT ANALYSIS

for the year ended 31 March 2018

Figures in Rand	Payments and Payment Infrustructure[1] 2018	2017	Software and Services[1] 2018	2017	Corporate 2018	2017	Group 2018	2017
Revenue[2]	**443 000 318**	–	**93 775 207**	–	**34 490 781**	80 172 952	**571 266 306**	80 172 952
Turnover[3]	**415 105 927**	–	**93 097 923**	–	**–**	–	**508 203 850**	–
Trading profit/(loss)	**151 983 411**	–	**33 637 947**	–	**(7 332 763)**	(5 014 412)	**178 288 595**	(5 014 412)
Depreciation	**(2 231 340)**	–	**(423 576)**	–	**(88 193)**	(69 339)	**(2 743 109)**	(69 339)
Amortisation of intangibles	**-**	–	**(269 042)**	–	**(12 162 333)**	–	**(12 431 375)**	–
Operating profit	**149 483 029**	–	**33 214 370**	–	**(20 401 587)**	(19 858 744)	**162 295 812**	(19 858 744)
Profit after taxation	**111 024 267**	–	**23 783 189**	–	**8 128 455**	60 314 208	**142 935 911**	60 314 208
Total assets	**120 872 337**	–	**34 890 492**	–	**1 315 944 991**	1 048 836 867	**1 471 707 820**	1 048 836 867
Total liabilities	**31 037 414**	–	**16 177 317**	–	**32 205 509**	6 014 297	**79 420 240**	6 014 297
Net assets	**89 834 922**	–	**18 713 176**	–	**1 283 739 482**	1 042 822 570	**1 392 287 580**	1 042 822 570

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

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

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

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

Notes to the FINANCIAL STATEMENTS

for the year ended 31 March 2018

Accounting policies

1. PRESENTATION OF FINANCIAL STATEMENTS

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

Basis of consolidation

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

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

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

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

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

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

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

1.1 Significant judgements and sources of estimation uncertainty

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

Investment in associates

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

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

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

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

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

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

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

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

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

This is depreciated using the straight-line method.

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

1.3 Intangible assets
An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost.

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

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

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

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

1.4 Impairment of non-financial assets

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

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

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

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

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

1.5 Business combinations and goodwill

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

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

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

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

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

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

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

1.6 Investment in associates

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

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

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

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

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

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

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

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

1.7 Financial instruments

Initial recognition and measurement

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

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

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

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

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

Impairment of financial assets

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

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

Reversals of impairment losses are recognised in profit or loss.

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

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

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

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

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

1.8 Tax

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

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

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

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

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

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

1.9 Operating leases

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

1.10 Inventories

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

1.11 Share capital and equity

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

1.12 Employee benefits

Short-term employee benefits

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

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

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

Share-based payments

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

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

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

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

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

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

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

1.13 Provisions and contingencies

Provisions are recognised when:

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

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

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

1.14 Revenue

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

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

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

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

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

1.15 Related parties

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

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

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

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

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

IAS 7 Disclosure Initiative – Amendments to IAS 7

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

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

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

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

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

The impact of the amendment is not material.

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

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

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

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

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

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

The impact of the amendment is not material.

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

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

2. NEW STANDARDS AND INTERPRETATIONS continued

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 Group for its financial reporting period ending after the date the statement comes into effect. The Group does not expect a significant impact from the adoption of this statement.
IFRS 15 – Revenue from Contracts with Customers	1 Jan 18	The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. Based on the contract review performed and revenue streams identified, the Group does not expect a material impact from the adoption of this statement.
IFRS 2 – Classification and Measurement of Share based Payment Transactions – Amendments to IFRS 2	1 Jan 18	The Group is currently assessing the impact of IFRS 2 and plans to adopt the standard for the first time in the 2019 annual financial statements.
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 to the Group.
Transfers of Investment Property (Amendments to IAS 40)	1 Jan 18	These amendments are not expected to have any impact the Group.
IFRIC Interpretation 22 – Foreign Currency Transactions and Advance Consideration	1 Jan 18	The Group is currently assessing the impact of IFRIC 22 and plans to adopt the standard for the first time in the 2019 annual financial statements.
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 Group.
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 Group is currently assessing the impact of IAS 28 and plans to adopt the standard for the first time in the 2019 annual financial statements.
IFRS 16 – Leases New standard	1 Jan 19	The impact of these amendments are currently being evaluated by the Group.
IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments	1 Jan 19	The Group is currently assessing the impact of IFRIC Interpretation 23 and plans to adopt the new standard on the required effective date.
Prepayment Features with Negative Compensation – Amendments to IFRS 9	1 Jan 19	The Group is currently assessing the impact of IFRS 9 and plans to adopt the new standard on the required effective date.
Long-term Interests in Associates and Joint Ventures – Amendments to IAS 28	1 Jan 19	The Group is currently assessing the impact of IAS 28 and plans to adopt the new standard on the required effective date.

Figures in Rand	Cost	2018 Accumulated depreciation	Carrying value

3. PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

The Group performs an annual test for impairment of the cash-generating units to which goodwill is attributed. The recoverable amount of the businesses (cash-generating units) has been determined based on a value-in-use calculation. The calculations use cash flow projections based on financial budgets approved by management and a discount rate, calculated using a risk free rate adjusted for risk factors, of 22.1% for Payments and Payment Infrastructure business ("Payments division") and 21.4% for the Software and Services business. Cash flows and trading forecasts have been projected for a period of five years.

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

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

Management believes that no reasonable possible change in any of the above key assumptions would cause the carrying value of any cash-generating unit to exceed its recoverable amount.

5. GOODWILL continued

Acquisitions of businesses

5.1 Acquisition of African Resonance

The Group acquired 100% of the shares in African Resonance Business Solutions Proprietary Limited for a purchase price of R485.9 million, with R295 million settled in cash and the issue of 230 million shares which have been valued at 83 cents per share being the share price on the closing date 5 May 2017. African Resonance is based in Johannesburg South Africa and provides a variety of technology solutions, services and related technical support services to financial institutions and others in the financial services sector. The acquisition has been accounted for in terms of IFRS 3 – Business Combinations.

Assets acquired and liabilities assumed

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

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

5. GOODWILL continued

5.2 Acquisition of Rinwell

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

Assets acquired and liabilities assumed

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

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

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

5. GOODWILL continued

5.3 Acquisition of Synthesis

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

Assets acquired and liabilities assumed

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

	Fair value recognised on acquisition
Assets	
Property, plant and equipment	969 502
Deferred taxation	2 535 166
Loan to shareholder	4 153 532
Trade, other receivables and prepayments	22 140 957
Cash and cash equivalents	6 613 473
	36 412 630
Liabilities	
Non-current deferred income	8 281 250
Trade and other payables	7 194 042
Taxation	1 178 295
Current portion of deferred income	1 325 000
Current portion of long-term loan	10 132 526
	28 111 113
Total identifiable net assets at fair value	8 301 517
Goodwill arising on acquisition	124 973 403
Intangible assets arising on acquisition	44 289 000
Deferred tax on intangible asset	(12 400 920)
Purchase consideration transferred	165 163 000
Purchase consideration	
Cash	82 300 000
Shares: 60 million at 83 cents per share	49 800 000
Contingent consideration (see below)	33 063 000
Total	165 163 000

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

Cash: R10 000 000 at present value	8 163 000
Shares: 30 million at 83 cents per share	24 900 000
Total	33 063 000

Figures in Rand	2018	2017
6. OTHER FINANCIAL ASSETS		
Long-term receivable	**17 625 214**	–
	17 625 214	–

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

7. INVESTMENT IN ASSOCIATES

Unlisted investments

	2018	2017
7.1 Resonance Australia Proprietary Limited		
17 580 shares at cost	**29 746 521**	–
Share of loss of associate	**(958 211)**	–
	28 788 310	–

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

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

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

	2018	2017
7.2 Proximity ID Proprietary Limited		
69 shares at cost	**460 000**	–
Provision for impairment	**(459 999)**	–
	1	–

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

Figures in Rand	2018	2017
8. DEFERRED TAX		
Deferred tax asset		
Accelerated allowances for tax purposes	**264 819**	
Deferred revenue	**751 893**	–
Recognition of deferred tax on assessed loss	**1 626 816**	–
	2 643 528	–
Reconciliation of deferred tax asset		
At beginning of period	**-**	–
Deferred revenue on acquisition of businesses	**525 583**	–
Accelerated allowances for tax purposes on acquisition of businesses	**264 819**	–
Deferred revenue	**226 310**	–
Recognition of deferred tax on assessed loss	**1 626 816**	–
	2 643 528	–

Recognition of deferred tax asset

Deferred tax assets have been recognised in respect of temporary differences giving rise to deferred tax assets where there is highly probable that these assets will be recovered in the foreseeable future.

Dashpay Proprietary Limited has pre-acquisition assessed losses of R40 474 276 which have not been recognised due to it not being highly probable that these assets will be recovered in the foreseeable future.

9. INVENTORIES

	2018	2017
Prepaid airtime	**138 245**	–
Inventory – terminals	**21 181 863**	–
	21 320 108	–

10. TRADE AND OTHER RECEIVABLES

	2018	2017
Trade and other receivables	**61 769 814**	519 232
Other receivables	**3 474 090**	
Deposits	**2 636 913**	70 000
VAT receivable	**153 709**	–
	68 034 527	589 232

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

10. TRADE AND OTHER RECEIVABLES continued

Fair value of trade and other receivables

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

Trade and other receivables past due but not impaired

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

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

Trade and other receivables impaired

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

The ageing of these receivables were above 120 days.

	2018	2017
Reconciliation of provision for impairment of trade and other receivables		
Opening balance	**–**	–
Provision for impairment	**136 783**	–
	136 783	–

11. LOAN TO ASSOCIATE

	2018	2017
Opening balance	**–**	
Loan granted on 5 May 2017	**5 024 792**	
Unrealised foreign exchange loss	**(512 400)**	
Closing balance	**4 512 392**	–

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

12. CASH AND CASH EQUIVALENTS

	2018	2017
Cash and cash equivalents consist of:		
Bank balances	**26 461 519**	2 828 725
Call and notice deposits	**486 708 344**	1 044 959 956
	513 169 863	1 047 788 681

Cash and cash equivalents comprise call and notice deposits with banks maturing within three months. These attract interest at market-related rates. Cash and cash equivalents are classified as held-for-trading financial assets. Cash and cash equivalents are measured at fair value. The maximum exposure to credit risk at the reporting date is the carrying amount. The Group only deposits with major banks with high-quality credit standing assigned by internationally recognised credit rating agencies. For this reason the credit quality at year-end of cash and cash equivalents is considered to be high.

Figures in Rand	2018	2017

13. FINANCIAL ASSETS BY CATEGORY

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

	2018	2017
Cash and cash equivalents	**513 169 862**	1 047 788 681
Trade and other receivables	**67 387 383**	589 232
Other financial assets	**17 625 214**	–
	598 182 459	1 048 377 913

The carrying value is an approximation of fair value.

14. SHARE CAPITAL

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

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

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

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

Reconciliation of issued constituent ordinary shares		
Number of constituent ordinary shares at the beginning of the year	**4**	4
Number of constituent ordinary shares repurchased	**(4)**	
Number of constituent ordinary shares at the end of the year	**–**	4

The unissued shares are under the control of the directors.

Figures in Rand	2018	2017

15. SHARE-BASED PAYMENTS

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

	2018	2017
Share-based payment reserve	**250 500**	–

	2018 Number	2018 Price
The number and fair value of the share options are:		
Beginning of the year	–	
Granted	**12 975 000**	**80 cents**
End of the year	**12 975 000**	**80 cents**

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

The terms and conditions of the options are the following:

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

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

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

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

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

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

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

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

Figures in Rand	2018	2017

16. CONTINGENT CONSIDERATION RESERVE

	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.

17. DEFERRED REVENUE

	2018	2017
Non-current liabilities	**7 066 667**	–
Current liabilities	**1 325 000**	–
	8 391 667	–

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

18. DEFERRED TAX

	2018	2017
Deferred tax liability		
Opening balance	**–**	
Deferred tax liability on intangible assets on acquisition	**23 337 440**	
Amortisation of intangible assets	**(3 405 453)**	–
Closing balance	**19 931 987**	–

19. TRADE AND OTHER PAYABLES

	2018	2017
Trade payables and accruals	**32 046 313**	6 014 297
VAT	**1 044 835**	–
	33 091 148	6 014 297

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

20. OTHER FINANCIAL LIABILITIES

	2018	2017
Held at amortised cost		
Sasfin Bank Limited	**2 989 613**	–

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

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

Notes to the FINANCIAL STATEMENTS continued

for the year ended 31 March 2018

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

Figures in Rand	2018	2017
26. FINANCE INCOME		
Interest revenue		
Bank	**38 055 621**	80 172 952
Loans advanced	**1 381 648**	–
	39 437 269	80 172 952

During the current year, the Group reconsidered the presentation of its consolidated statement of comprehensive income for the purpose of more accurate presentation of revenue and finance income. As a result of the asset acquisitions in the current year, the interest income which was considered revenue has been reclassified to finance income. The presentation of comparative figures has been adjusted to conform to the presentation of the current period amounts.

	2018	2017
27. FINANCE COSTS		
Interest paid		
Bank	**258 437**	–
Present value of cash portion of the contingent consideration (note 16)	**526 618**	–
	785 056	–

	2018	2017
28. TAXATION		
Major components of the tax expense		
Current		
Local income tax current year	**62 312 482**	21 109 406
Deferred		
Originating and reversing temporary differences	**(5 258 580)**	–
South African normal tax	**57 053 903**	21 109 406

Reconciliation of rate of taxation	%	%
South African normal tax	**28.0**	28.0
Adjusted for:		
– allowance for learnerships	**(0.1)**	–
– disallowed expenditure	**0.5**	7.0
– non-deductible share-based payment expense	**0.0**	–
– non-deductible impairment of associate	**0.1**	–
Effective taxes rate	**28.5**	35.0

Figures in Rand		2018	2017
29.	**CASH FLOWS**		
29.1	**Cash flows from operating activities**		
	Profit before taxation	**199 989 814**	60 314 208
	Adjustments for:		
	Depreciation	**2 743 109**	69 339
	Amortisation	**12 431 375**	–
	Finance income	**(39 437 269)**	(80 166 500)
	Finance costs	**785 056**	–
	Share of loss of associate	**958 211**	–
	Share-based payment expense	**250 500**	–
	Impairment on investment in associate	**459 999**	–
	Unrealised foreign exchange loss	**1 295 212**	–
	Profit on disposal of assets	**13 872**	76 605
	Changes in working capital		
	Inventory	**(5 905 917)**	–
	Trade and other receivables	**(7 323 253)**	(109 592)
	Related party receivables	**891 800**	–
	Trade and other payables	**998 585**	1 045 120
	Deferred revenue	**(1 214 583)**	–
		166 936 511	(18 770 820)
29.2	**Changes in liabilities arising from financing activities**		
	Balance at the beginning of the year	**–**	–
	Loans arising on acquisition of businesses	**19 071 601**	–
	Repayment of loans	**(19 071 601)**	–
	Balance at the end of the year	**–**	–
30.	**COMMITMENTS**		
	Operating leases as lessee (expense)		
	Minimum lease payments		
	Payable within one year	**8 468 406**	689 472
	Payable within two to five years	**31 011 599**	–
		39 480 004	689 472

Operating lease payments represent rentals payable by the Group for its office properties. No contingent rent is payable.

	2018	2017
Operating leases – as lessor (income)		
Minimum lease payments		
Payable within one year	**47 317 000**	–
Payable within two to five years	**6 634 642**	–
	53 951 642	–

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

31. RELATED PARTIES

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

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

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

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

Transactions with directors and prescribed officers

The transactions with directors and have been disclosed in the directors' report and note 32.

Relationships

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

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

32. DIRECTORS' EMOLUMENTS

Executive directors

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

Non-executive directors

	2018	2017
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.

Figures in Rand	2018	2017
33. EARNINGS PER SHARE		
The following table reflects the information used in the basic, headline and diluted earnings per share calculations:		
Profit for the year attributable to ordinary shareholders (Rand)	**142 935 911**	39 204 802
Impairment on investment in associate	**459 999**	–
Headline earnings	**143 395 910**	39 204 802
Basic earnings per share (cents)	**9.49**	3.14
Headline earnings per share (cents)	**9.53**	3.14
Diluted basic earnings per share (cents)	**9.33**	3.14
Diluted headline earnings per share (cents)	**9.36**	3.14
Number of ordinary shares in issue	**1 555 000 000**	1 250 000 000
Weighted average number of ordinary shares	**1 505 442 013**	1 250 000 000
Diluted weighted average number of ordinary shares	**1 532 647 492**	1 250 000 000

34. RISK MANAGEMENT

Capital risk management

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

Financial risk management

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

Currency risk management

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

Interest rate risk

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

Liquidity risk

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

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

Figures in Rand	2018	2017

34. RISK MANAGEMENT continued

Credit risk

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

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

	2018	2017
Other financial assets	**17 625 214**	–
Trade and other receivables	**68 034 527**	233 605
Loan to associate	**4 512 392**	–
Cash and cash equivalents	**513 169 862**	1 047 788 681

Other financial assets

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

Trade and other receivables

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

Loan to associate

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

Cash and cash equivalents

The maximum exposure to credit risk at the reporting date is the carrying amount. The Group only deposits with major banks with high-quality credit standing assigned by internationally recognised credit rating agencies. For this reason the credit quality at year-end of cash and cash equivalents is considered to be high.

35. GROUP INFORMATION

Subsidiaries

The Group acquired the following subsidiaries on 5 May 2017

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

Associates

The Group acquired the following associates on 5 May 2017

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

36. CLOSURE OF ESCROW AGREEMENT WITH BOWMAN GILFILLAN INC.

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

37. FAIR VALUE

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

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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

38. DIVIDEND

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

39. POST-YEAR-END EVENTS

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

General INFORMATION

Country of incorporation and domicile	Republic of South Africa
Registration number:	2017/253277/06
Date of incorporation	The company was incorporated as a private company on 3 December 2014 under the name Firefly Investment 285 Proprietary Limited. On 2 June 2015 the Company was converted into a public company and changed its name to Capital Appreciation Limited.
Registered office	1st Floor 61 Katherine Street Sandton 2196
Telephone	+27 010 025 1000
Email	investor@capitalappreciation.co.za
Website	www.capitalappreciation.co.za
Company Secretary	Horwath Leveton Boner 3 Sandown Valley Crescent Sandown 2196
Auditor	Ernst & Young Inc. 102 Rivonia Road Sandton 2196
Financial advisor	Macquarie First South Capital Proprietary Limited The Place South Building 1 Sandton Drive Sandton 2196
Legal advisor	Webber Wentzel 90 Rivonia Road Sandton 2196
Sponsor	Investec Bank Limited 100 Grayston Drive Sandown Sandton 2196
Transfer secretary	Computershare Investor Services Proprietary Limited Ground Floor 70 Marshall Street Johannesburg 2001
Bankers	Absa Bank Limited Barclays Towers West 7th Floor 15 Troye Street Johannesburg 2001 Investec Bank Limited 100 Grayston Drive Sandown Sandton 2196