Capital Appreciation Limited
(Registration number 2014/253277/06)
Tax number 9591281176
JSE share code: CTA
ISIN: ZAE000208245
Incorporated in the Republic of South Africa

GROUP AUDITED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2019

CONTENTS

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 Executives, Mr B Kruger (CA(SA)) and Ms C Sacharowitz (CA(SA)).

9 June 2019

GROUP COMPANY SECRETARY'S CERTIFICATION

I, 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.

PKF Octagon

Peter Katz
Consultant
PKF Octagon

Johannesburg
9 June 2019

AUDIT, RISK AND OPPORTUNITY COMMITTEE REPORT

1. MEMBERS OF THE AUDIT, RISK AND OPPORTUNITY COMMITTEE

The members of the audit, risk and opportunity 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)
Mathukana Mokoka	BComm (UL), CA(SA) (Appointed 9 May 2018) (Resigned 5 April 2019)
Charles Valkin	BComm LLB (Wits), H Dip Tax (Wits) (Resigned 9 May 2018)

The Board is satisfied that the members of the audit, risk and opportunity committee have the required knowledge and experience as set out in section 94(5) of the Companies Act, No. 71 of 2008 and Regulation 42 of the Companies Regulation, 2011.

2. MEETINGS HELD BY THE AUDIT, RISK AND OPPORTUNITY COMMITTEE

The audit, risk and opportunity 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. Four audit committee and one risk and opportunity committee meetings were held during the year. Unrestricted access is granted to the external auditors.

3. EXTERNAL AUDITOR

The audit, risk and opportunity 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, No. 71 of 2008 that internal governance processes within the audit firm support and demonstrate their claim to independence.

The audit and risk and opportunity 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 CONTROL

The opinion of the board on the effectiveness of our internal control environment is informed by the conclusion reached by the Audit Committee.

BDO South Africa Incorporated Proprietary Limited ("BDO") was appointed as the internal audit service provider for the 2018/2019 financial year.

The audit committee assessed the results of the internal audits conducted by BDO and other identified assurance providers in terms of the evolving combined assurance model of the Group's system of internal controls and risk management, including the design, implementation and effectiveness of the internal financial controls. The assessment, when considered with the information and explanations given by management and discussions with both the internal and external auditors on the results of their audits, led to the conclusion that nothing has come to the attention of the board that caused it to believe that the Company system of internal controls and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements.

5. FINANCIAL STATEMENTS

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

On behalf of the audit, risk and opportunity committee

Victor Sekese
Chairman audit, risk and opportunity committee

Johannesburg
9 June 2019

MEMBERS OF THE SOCIAL AND ETHICS COMMITTEE

The members of the social and ethics committee are all non-executive directors of the Group and include:

Name	Qualification	
Bukelwa Bulo (Chairman)	B.BusSc (UCT), CA(SA)	Independent
Roshan Morar	CA(SA), CFE	Independent
Michael (Motty) Sacks	CA(SA), AICPA (Isr)	Non-independent
Charles Valkin	B.Com LLB (Wits), HDip Tax (Wits)	Independent

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required in terms of the Companies Act, No. 71 of 2008 to maintain adequate accounting records within the Group companies 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 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 Group 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 2020 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 Group financial statements have been examined by the Group's external auditors and their report is presented on pages 6 to 8.

The Group financial statements set out on pages 14 to 52, which have been prepared on a going-concern basis, were approved by the Board on 9 June 2019 in accordance with section 30(3)(c) of the Companies Act, No. 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

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Capital Appreciation Limited

REPORT ON THE AUDIT OF THE GROUP AND COMPANY ANNUAL FINANCIAL STATEMENTS

Opinion

We have audited the consolidated annual financial statements of Capital Appreciation Limited and its subsidiaries (the Group) set out on pages 14 to 52, which comprise the group financial position as at 31 March 2019, and the group statements comprehensive income, the group statements of changes in equity and the group statements of cash flows for the year then ended, and notes to the group financial statements, including a summary of significant accounting policies.

In our opinion, the group financial statements present fairly, in all material respects, the group financial position of the Group as at 31 March 2019, and its group financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

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 group 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 group 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 group financial statements.

Key audit matter	How the matter was addressed in the audit
Goodwill impairment	
At 31 March 2019, the Group's goodwill balance is valued at R729 million. Under IFRS, the Group is required to test for impairment of goodwill annually. Management's impairment review contains key assumptions, including growth rates, the weighted average cost of capital and the forecasted cash flows, which are subject to significant judgement, estimation, and are affected by expected future market conditions. The disclosures are made in note 5 of the Group annual financial statements.	We focused our testing on the key assumptions made by management by performing the following: • We evaluated the determination of the cash-generating units; • With the assistance of our internal experts, we evaluated the discounted cash flow models used in determining the value-in-use of the cash-generating units, by performing sensitivity analyses on the key assumptions used in the models including, weighted average cost of capital, growth rates and forecasted cash flows; and • We assessed the adequacy of the disclosures made by management highlighting the key sensitivities used in their sensitivity analysis.

Key audit matter	How the matter was addressed in the audit
Related party transactions and balances The identification of transactions with related parties, as well as the accuracy and completeness of the disclosure, was identified as a key audit matter in the current year. We considered this to require significant auditor attention due to the high volume of transactions with related parties who form part of the same group of companies as well as the high volume of transactions with other companies (which are outside of the Group) who share common directors. The related party disclosures are set out in note 28 to the consolidated financial statements.	We performed the following procedures: • We obtained an understanding of the Group's policies and procedures in respect of the capturing of related party transactions and how management ensures all transactions and balances with related parties have been identified and accurately disclosed in the group financial statements; • We agreed a sample of related party transactions, balances and disclosures to underlying schedules and supporting documentation; • We read relevant agreements with related parties to evaluate the substance of the transactions and assess the accuracy and completeness of disclosures; and • We assessed the adequacy of related party disclosures through director and company searches and the review of other documentation obtained during the audit.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the 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 International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of 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 determine 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 & Young Inc. has been the auditor of Capital Appreciation Limited for 5 years.

Ernst & Young Inc.
Director – Lance Ian Neame Tomlinson
Registered Auditor
Chartered Accountant (SA)

9 June 2019

DIRECTORS' REPORT

1. ABOUT CAPPREC

Capital Appreciation owns, manages, invests in, and promotes established and developing financial technology ("FinTech") enterprises, their platforms, solutions, products and applications. The Group has two business segments – Payments & Payment Infrastructure ("Payments") and Software & Services ("Services"). African Resonance and Dashpay comprise the Payments segment and Synthesis comprises the Services segment.

Payments & Payment Infrastructure: 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 the entire retail sector, both directly and indirectly. Dashpay is in the process of implementing an exclusively licensed, multi-product, multi-party universal transacting platform, and is positioned to provide innovative transaction processing services, solutions and products focused on Business to Business commercial and payment activity. The Dashpay solution set is intended to complement existing payment services provided by the Group's established banking and institutional client base.

Software & Services: Synthesis is a highly specialised software and systems developer, offering consulting, integration services and technology-based product solutions, to banking, financial services and other institutions in South Africa and other emerging markets. Synthesis is uniquely positioned in Africa, having become the first company on the continent to attain Amazon Web Services' (AWS) Advanced Consulting Partner Accreditation, with specialist competencies in both Financial Services and DevOps (Development Operations).

International: Resonance Australia is an associate company investment in which CAPPREC owns 17.45%. Resonance Australia is still in its early stages of development.

Further detail on the nature of these business units is available on the Company's website, at www.capitalappreciation.co.za.

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 (2018: 1 555 000 000) and nil constituent ordinary shares of no par value (2018: nil).

3. DIVIDENDS

3.1 Dividends paid during the year

A dividend of 2.0 cents per ordinary share was declared on 15 May 2018 amounting to R31.10 million. A dividend of 2.25 cents per ordinary share was declared on 8 November 2018 amounting to R34.99 million. The total dividends paid during the year amounted to R66.09 million (2018: R31.10 million).

3.2 Dividends declared

The Board has pleasure in announcing that a final dividend of 2.00 cents per ordinary share has been declared for the six months ended 31 March 2019. The total dividend for the year ended 31 March 2019 amounts to 4.25 cents per share (2018: 4.0 cents).

We note the following:

- Dividends are subject to dividends withholding tax.
- The payment date for the dividend is 8 July 2019.
- Dividends have been declared out of profits available for distribution.
- Local dividends withholding tax is 20%.
- Gross dividend amount is 2.00 cents per ordinary share, which is 1.6000 net of withholding tax.
- CAPPREC has 1 555 000 000 ordinary shares in issue at the declaration date.
- CAPPREC's Income Tax Reference Number is 9591281176.

The salient dates relating to the dividend are as follows:

• Last day of trade cum dividend	Tuesday, 2 July 2019
• Shares commence trading ex-dividend	Wednesday, 3 July 2019
• Dividend record date	Friday, 5 July 2019
• Dividend payment date	Monday, 8 July 2019

Share certificates for ordinary shares may not be dematerialised or rematerialised between Wednesday, 3 July 2019 and Friday, 5 July 2019, both days inclusive.

4. MATERIAL RESOLUTIONS

The following resolutions were passed during the year:

Board resolutions

- 9 May 2018, approval of appointment of D Dlamini, E Kruger, M Mokoka and E Neishlos as directors of the Group and resignation of D Matjila.
- 15 May 2018, a dividend of 2.0 cents per share payable to shareholders on 6 June 2018.
- 8 November 2018, a dividend of 2.25 cents per share payable to shareholders on 10 December 2018.

Shareholders' ordinary resolutions

- 31 August 2018, approval of the Group annual financial statements as at 31 March 2018.
- 31 August 2018, retirement, re-election and confirmation of B Bulo, D Dlamini, J Kahn, E Kruger, M Mokoka, R Morar, E Neishlos, H Neishlos, M Pimstein, B Sacks, M Sacks, A Salomon, V Sekese and C Valkin as directors.
- 31 August 2018, re-election of V Sekese, B Bulo and C Valkin as members and V Sekese as Chairman of the audit, risk and opportunity committee .
- 31 August 2018, re-appointment of Ernst & Young Inc. as external auditors of the Group.

Shareholders' special resolutions

- 31 August 2018, approval of non-executive directors' remuneration for the period to the date of the 2019 annual general meeting.
- 31 August 2018, authority granted for the repurchase of the Group's ordinary shares.
- 31 August 2018, 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	Resignation date	Board	Audit, Risk and Opportunity Committee
Non-executive				
M Sacks (Chairman)	03 Mar 2015		4/4	
B Bulo	15 Sep 2015		4/4	4/4
D Dlamini	09 May 2018		4/4	
J Kahn	15 Sep 2015		4/4	
E Kruger	09 May 2018		4/4	
D Matjila	15 Sep 2015	09 May 2018	–	
M Mokoka	09 May 2018	05 April 2019	3/4	4/4
E Neishlos	09 May 2018		4/4	
H Neishlos	10 Nov 2017		3/4	
R Morar	15 Sep 2015		2/4	
V Sekese	15 Sep 2015		4/4	3/4
C Valkin	15 Sep 2015		4/4	–
Executive				
M Pimstein	03 Mar 2015		4/4	By invitation 4/4
B Sacks	19 Mar 2015		4/4	
A Salomon	03 Mar 2015		4/4	By invitation 4/4

D Dlamini, E Kruger, M Mokoka and E Neishlos were appointed to the Board as non-executive directors on 9 May 2018.
D Matjila and M Mokoka resigned from the Board on 9 May 2018 and 5 April 2019, respectively.

6. DIRECTORS' SHAREHOLDING

The individual interests declared by the current directors and officers held in the Group share capital as at 31 March 2019 are as follows:

	2019 Number of ordinary shares	2018 Number of ordinary shares
Beneficial directors		
J Kahn	**3 600 000**	3 600 000
R Morar	**100 000**	100 000
E Neishlos	**15 000 000**	15 000 000
H Neishlos	**204 500 000**	204 500 000
M Pimstein	**59 003 542**	59 003 542
B Sacks*	**70 833 333**	70 833 333
M Sacks	**44 073 750**	44 073 750
A Salomon	**56 903 542**	56 903 542
C Valkin	**250 000**	250 000
Total	**454 264 167**	454 264 167

** Held through Centric Capital Ventures LLC.*

7. DIRECTORS' FEES

The remuneration paid to directors while in office in the Group during the year ended 31 March 2019 is as follows:

Figures in Rand	2019	2018
Non-executive directors		
B Bulo	**230 000**	80 000
D Dlamini	**130 000**	–
J Kahn	**140 000**	45 000
E Kruger	**130 000**	–
D Matjila	**–**	–
M Mokoka	**150 000**	–
R Morar	**90 000**	45 000
E Neishlos	**105 000**	–
H Neishlos	**90 000**	25 000
M Sacks	**–**	–
V Sekese	**205 000**	80 000
C Valkin	**170 000**	80 000
Total	**1 440 000**	355 000

The directors' remuneration was approved by special resolution at the annual general meeting held on 31 August 2018.

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

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

During the current and prior financial years, no contracts were entered into in which directors and officers of the Group had an interest and would significantly affect the business of the Group, except for approved contracts entered into with HN Terminal Systems CC, Uplink Technology Services Proprietary Limited, Skunkworx Proprietary Limited, Castlebridge Professional Services Limited and Resonance Australia Proprietary Limited, in which H Neishlos and E Neishlos have equity interests. 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 Group share capital as at 31 March 2019 are as follows:

	% held	
Shareholder	**2019**	2018
Government Employees Pension Fund	**21.44**	21.44
H Neishlos	**13.15**	13.15

10. SHARE OPTION PLAN

During the current year, 21.5 million share options (2018: 13.0 million) were granted and 2.4 million share options (2018: nil) were forfeited under the Capital Appreciation Limited Share Option Scheme, bringing the total allocated share options to 32.1 million.

11. YEAR-END

The Group's year-end is 31 March. As the acquisitions of the Payments, Software & Services businesses became unconditional on 5 May 2017, only 11 months of trading of these businesses, as reflected in the prior year comparable Statement of Comprehensive Income, have been brought into the statement of comprehensive income for the prior year.

12. GOING CONCERN

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

13. POST YEAR-END EVENTS

As noted in the directors' report, the Company and the founder and principal vendor of African Resonance, Dr Hanoch Neishlos, concluded a comprehensive agreement on 9 June 2019, certain key terms of which are as follows:

- Capital Appreciation will repurchase 245 000 000 shares held by Dr Neishlos and related associates at a price per share of 80 cents each, amounting to R196 million excluding any associated costs. These shares on receipt will be cancelled.
- Dr Neishlos and/or his nominee/s will purchase Capital Appreciation's 17.45% interest in Resonance Australia Proprietary Limited and its claims on loan account, for an aggregate amount of R40 million.
- Capital Appreciation will purchase all African Resonance and Dashpay-related intellectual property from Uplink Technology Services Proprietary Limited ("Uplink") and, save for a continuing exclusive licence agreement for the Stratagem technology platform, the services agreement with Uplink will be terminated.
- Dr Neishlos will repay his loan to the Company, currently reflected in note 6 to the Annual Financial Statements.
- All related party receivables and obligations will be settled between the parties in the normal course.

The transaction will *inter alia* require shareholder and the JSE Limited approval and a circular will be prepared and distributed to shareholders in due course.

Management has considered the accounting requirements of IAS 10 (Events after the Reporting Period) and has concluded that this proposed transaction is a non-adjusting post-balance sheet event.

14. DATE OF ISSUE OF ANNUAL FINANCIAL STATEMENTS

The audited annual financial statements were approved by the Board of Directors on 9 June 2019.

15. AUDITORS

Ernst & Young Inc. will continue in office in accordance with section 90 of the Companies Act, No. 71 of 2008.

16. FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements with respect to the economy and the results of the operations of CAPPREC, which by their nature, involve risk and uncertainty on economic circumstances that may or may not occur in the future. Any forward-looking statements have not been audited or reviewed by our external auditors.

GROUP STATEMENT OF FINANCIAL POSITION

at 31 March 2019

Figures in Rand	Notes	2019	2018
ASSETS			
Property, plant and equipment	3	**21 737 333**	15 275 684
Intangible assets	4	**62 258 622**	71 452 462
Goodwill	5	**728 577 776**	728 577 776
Other financial assets	6	**19 011 040**	17 625 214
Investment in associates	7	**26 360 129**	28 788 310
Deferred tax	8	**5 141 435**	2 643 528
Non-current assets		**863 086 335**	864 362 974
Inventories	9	**16 167 245**	21 320 108
Trade and other receivables	10	**44 367 518**	68 034 527
Loan to associate	11	**5 179 241**	4 512 392
Taxation receivable		**4 588 251**	307 957
Cash and cash equivalents	12	**611 227 490**	513 169 862
Current assets		**681 529 745**	607 344 846
Total assets		**1 544 616 080**	1 471 707 820
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	13	**1 204 657 490**	1 211 781 099
Share based payment reserve	14	**1 172 400**	250 500
Contingent consideration reserve	15	**24 900 000**	24 900 000
Retained income		**216 385 606**	155 355 981
Total equity		**1 447 115 496**	1 392 287 580
Deferred revenue	16	**9 154 167**	7 066 667
Contingent consideration	15	**9 271 591**	8 689 618
Deferred tax	17	**16 216 947**	19 931 987
Non-current liabilities		**34 642 705**	35 688 272
Trade and other payables	18	**53 356 931**	33 091 148
Bank overdraft	12	**2 434 271**	–
Operating lease liability		**1 182 800**	–
Other financial liabilities	19	**–**	2 989 613
Deferred revenue	16	**1 850 000**	1 325 000
Taxation payable		**4 033 877**	6 326 207
Current liabilities		**62 857 879**	43 731 968
Total equity and liabilities		**1 544 616 080**	1 471 707 820

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2019

Figures in Rand	Notes	2019	2018*
Revenue	20	**607 723 023**	508 203 850
Cost of sales		**(309 255 706)**	(264 578 499)
Gross profit		**298 467 317**	243 625 351
Other income	21	**2 677 709**	23 625 187
Operating expenses		**(127 992 347)**	(80 021 652)
Trading profit		**173 152 679**	187 228 886
Share-based payment expense		**(921 900)**	(250 500)
Depreciation		**(8 461 766)**	(2 743 109)
Amortisation of intangibles		**(13 983 722)**	(12 431 375)
Acquisition costs		**(415 451)**	(567 799)
Transformation costs		**(10 824 574)**	(8 940 291)
Operating profit	22	**138 545 266**	162 295 812
Finance income	23	**38 280 325**	39 437 269
Finance costs	24	**(601 735)**	(785 056)
Equity accounted loss in associate		**(2 428 181)**	(958 211)
Profit before taxation		**173 795 675**	199 989 814
Taxation	25	**(49 182 821)**	(57 053 903)
Profit after taxation		**124 612 854**	142 935 911
Other comprehensive income		**–**	–
Total comprehensive income for the year		**124 612 854**	142 935 911
Basic earnings per share (cents)	30	**8.33**	9.49
Diluted basic earnings per share (cents)	30	**8.17**	9.33

** The financial information for the Payments and Payment Infrastructure and Software and Services divisions represents trading for 11 months for the 2018 financial year, as the acquisitions became unconditional on 5 May 2017.*

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2019

Figures in Rand	Ordinary share capital	Constituent ordinary share capital	Share-based payment reserve	Contingent consideration reserve	Retained income	Total equity
Balance at 1 April 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
Share-based payment reserve	**–**	**–**	**921 900**	**–**	**–**	**921 900**
Purchase of treasury shares	**(7 123 609)**	**–**	**–**	**–**	**–**	**(7 123 609)**
Cash dividend paid	**–**	**–**	**–**	**–**	**(63 583 229)**	**(63 583 229)**
Total comprehensive income for the year ended 31 March 2019	**–**	**–**	**–**	**–**	**124 612 854**	**124 612 854**
Balance at 31 March 2019	**1 204 657 490**	**–**	**1 172 400**	**24 900 000**	**216 385 606**	**1 447 115 496**

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 March 2019

Figures in Rand	Notes	2019	2018
Cash flow from operations	26.1	**212 698 073**	166 301 567
Finance income received		**36 896 736**	39 427 325
Finance costs paid		**(19 763)**	(248 493)
Dividends paid		**(63 583 229)**	(30 400 000)
Taxation refund received		**309 425**	–
Taxation paid		**(62 276 347)**	(61 154 563)
Net cash flow from operating activities		**124 024 895**	113 925 836
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(16 532 856)**	(4 872 247)
Proceeds on disposal of property, plant and equipment		**1 467 511**	405 074
Acquisition of intangible assets		**(910 259)**	(182 160)
Capitalisation of intangible assets		**(3 879 621)**	–
Acquisition of subsidiary net of cash acquired		**–**	(553 009 486)
Acquisition of associate		**–**	(30 206 520)
Loan to associate		**–**	(5 024 790)
Repayment of loans		**–**	4 153 532
Net cash flow from investing activities		**(19 855 225)**	(588 736 597)
Cash flows from financing activities			
Repayment of loans	26.2	**–**	(19 071 601)
Repayment of financial liabilities		**(2 989 613)**	–
Purchase of 8 022 000 treasury shares (2018: 55 620 000)		**(7 123 610)**	(41 371 401)
Net cash flow from financing activities		**(10 113 223)**	(60 443 002)
Net increase/(decrease) in cash and cash equivalents		**94 056 447**	(535 253 763)
Cash and cash equivalents at beginning of year		**513 169 862**	1 047 788 681
Net foreign exchange difference		**1 566 910**	634 944
Cash and cash equivalents at end of year		**608 793 219**	513 169 862
Bank balances, call and notice deposits		**611 227 490**	513 169 862
Bank overdraft		**(2 434 271)**	–
	12	**608 793 219**	513 169 862

GROUP SEGMENT ANALYSIS

for the year ended 31 March 2019

Figures in Rand	Payments and Payment Infrastructure 2019	2018*	Software and Services 2019	2018*
Revenue**	**469 894 711**	415 105 927	**137 828 312**	93 097 923
Trading profit/(loss)	**143 146 336**	158 439 411	**47 160 530**	36 122 238
Depreciation	**(7 076 723)**	(2 231 340)	**(851 215)**	(423 576)
Amortisation of intangibles	**(297 278)**	–	**(418 444)**	(269 042)
Operating profit/(loss)	**127 904 602**	149 483 029	**42 066 924**	33 214 370
Profit/(loss) after taxation	**98 153 418**	111 024 267	**32 737 091**	23 783 189
Total assets	**184 766 329**	120 872 337	**63 137 764**	34 890 492
Total liabilities	**43 078 718**	31 037 414	**23 819 661**	16 177 317
Net assets	**141 687 611**	89 834 923	**39 318 103**	18 713 175

* *The financial information for the Payments and Payment Infrastructure and Software and Services divisions represent trading for 11 months for the 2018 financial year, as the acquisitions became unconditional on 5 May 2017.*

** *Refer to note 20 for a breakdown of the description of Revenue.*

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 major financial and commercial institutions.

	Corporate		Group	
	2019	2018	**2019**	2018
	–	–	**607 723 023**	508 203 850
	(17 154 187)	(7 332 763)	**173 152 679**	187 228 886
	(533 828)	(88 193)	**(8 461 766)**	(2 743 109)
	(13 268 000)	(12 162 333)	**(13 983 722)**	(12 431 375)
	(31 426 260)	(20 401 587)	**138 545 266**	162 295 812
	(6 277 655)	8 128 455	**124 612 854**	142 935 911
	1 296 711 987	1 315 944 991	**1 544 616 080**	1 471 707 820
	30 602 205	32 205 509	**97 500 584**	79 420 240
	1 266 109 782	1 283 739 482	**1 447 115 496**	1 392 287 580

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2019

ACCOUNTING POLICIES

1. PRESENTATION OF FINANCIAL STATEMENTS

The Group annual financial statements for the year ended 31 March 2019 have been prepared in compliance with the Listings Requirements of the JSE Limited, the requirements of the International Financial Reporting Standards, and Financial Pronouncements, as issued by the Financial Reporting Standards Council and the Companies Act, No. 71 of 2008. These accounting policies are consistent with the previous period except for the adoption of IFRS9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers. The amounts presented are rounded to the nearest Rand. The Board of Directors takes full responsibility for the financial statements which have been prepared by A Salomon CA(SA), Chief Financial Officer, who supervised the preparation thereof in conjunction with the Financial Executives, C Sacharowitz CA(SA) and B Kruger CA(SA).

Basis of consolidation

The Group financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2019. 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 Group financial statements, management is, from time to time, required to make certain estimates and assumptions could bear on 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 Group 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 decisions given board representation in such cases, we categorise that as having 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. The estimation of residual values of such assets is based on management's judgement on whether the assets will be sold and what their condition will be at that time.

Goodwill
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The value in use calculation is based on a DCF model. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are further below in this note.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

Deferred tax assets
Deferred tax assets are recognised to the extent that future taxable profits will be available against which 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.

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 value of the item can be measured reliably.

Property, plant and equipment are initially measured at cost. Cost includes all of the expenditure that 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 reduce 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
Leasehold improvements	5 years
Terminals	3 years

Such assets are depreciated using the straight-line method.

1. PRESENTATION OF FINANCIAL STATEMENTS CONTINUED

1.2 Property, plant and equipment continued

Impairment tests are performed on property, plant and equipment when there is an indication for such impairment. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable value, an impairment loss is recognised immediately in The Statement of Comprehensive Income profit or loss to bring the carrying amount in line with the recoverable value.

1.3 Intangible assets

An intangible asset is recognised when:

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

Intangible assets are initially recognised at cost. Intangible assets are carried at cost less accumulated amortisation and/or any impairment losses. The amortisation period and the amortisation method for intangible assets are reviewed at the date of every reporting period.

Save for any need for impairment, amortisation applied to the intangible assets, on a straight-line basis, is as follows:

Item	Average useful life
Computer software	3 – 5 years
Customer web portal	3 years
Customer relationships	4 – 8 years

1.4 Impairment of non-financial assets

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

If there is any indication that an asset may be impaired, the recoverable value is estimated for the individual asset. During the period there were no indications for such 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 values of those assets are estimated.

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

A reversal of an impairment loss in assets carried at cost less accumulated depreciation is recognised immediately in the Statement of Comprehensive Income. 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 IFRS 9 – 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 IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 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 value of the net assets 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 The Statement of Comprehensive Income.

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 of 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 decisions.

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 Comprehensive Income 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 Comprehensive Income 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 value 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 Comprehensive Income.

1. PRESENTATION OF FINANCIAL STATEMENTS CONTINUED

1.7 Financial instruments

Initial recognition and measurement

Financial instruments held by the Group are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the Group, as applicable, are as follows:

Financial assets which are equity instruments:
- Mandatorily at fair value through The Statement of Comprehensive Income.

Financial assets which are debt instruments:
- Amortised cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on such principal amounts, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows);

Financial liabilities:
- Amortised cost;

Note 31 Financial instruments and risk management presents the financial instruments held by the Group based on their specific classifications.

All regular purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the Group are presented below:

Loans receivable at amortised cost

Classification

Other financial assets (note 6), loans to shareholders, loans to directors, managers and employees, and loans receivable are classified as financial assets subsequently measured at amortised cost.

Trade and other receivables have been classified in this manner because the contractual terms of these loans give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding, and the Group 's business model is to collect the contractual cash flows on these loans.

Recognition and measurement

Loans receivable are recognised when the Group becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the loan initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest rate method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Impairment

The Group recognises a loss allowance for expected credit losses on all loans receivable measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 10).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the Group 's business model is to collect the contractual cash flows on trade and other receivables.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest rate method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Recognition and measurement
Trade and other receivables are recognised when the Group becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

Impairment
The Group recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

Recognition and measurement
Borrowings and loans from related parties are recognised when the Group becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest rate method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Interest expense, calculated on the effective interest method, is included in The Statement of Comprehensive Income (note 24).

Borrowings expose the Group to liquidity risk and interest rate risk. Refer to note 31 for details of risk exposure and management thereof.

Trade and other payables
Classification
Trade and other payables (note 18), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement
They are recognised when the Group becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest rate method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in The Statement of Comprehensive Income in finance costs (note 24).

Trade and other payables expose the Group to liquidity risk and possibly to interest rate risk. Refer to note 31 for details of risk exposure and management thereof.

Cash and cash equivalents
Cash and cash equivalents are stated at carrying amount which is deemed to be 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.

1. PRESENTATION OF FINANCIAL STATEMENTS CONTINUED

1.8 Tax continued

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in The Statement of Comprehensive Income 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 The Statement of Comprehensive Income on a straight-line basis over the lease term. Lease incentives received are recognised in The Statement of Comprehensive Income 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, sick leave and bonuses), are recognised in the period in which the service is rendered and are not discounted.

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

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

Share-based payments

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

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made, using an appropriate valuation model, further details of which are given in note 14.

That cost is recognised in employee benefits expense (note 22), 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 Comprehensive Income 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 14).

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 contracts with customers

The Group is in the business of providing terminals, maintenance and software services.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the agency services below, because it typically controls the goods or services before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in note 1.1.

Revenue from sale of terminals

Revenue from sale of equipment is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the equipment. The normal credit term is 30 to 90 days upon delivery. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., warranties, customer loyalty points). In determining the transaction price for the sale of equipment, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer (if any).

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of electronics equipment provide customers with a right of return and volume rebates. The rights of return and volume rebates give rise to variable consideration.

1. PRESENTATION OF FINANCIAL STATEMENTS CONTINUED

1.14 Revenue continued

Revenue from sale of terminals continued

(i) Variable consideration

- **Rights of return**
- **Volume rebates**

The Group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability for the expected future rebates.

Maintenance services

The Group provides maintenance services that are either sold separately or bundled together with the sale of a terminal to a customer.

The Group recognises revenue from maintenance services over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. Revenue from the sale of terminals is recognised at a point in time, generally upon delivery of the terminals.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Assets and liabilities arising from rights of return

Right of return assets

Right of return asset represents the Group's right to recover the goods expected to be returned by customers. The asset is measured at the former carrying amount of the inventory, less any expected costs to recover the goods, including any potential decreases in the value of the returned goods. The Group updates the measurement of the asset recorded for any revisions to its expected level of returns, as well as any additional decreases in the value of the returned products.

Refund liabilities

A refund liability is the obligation to refund some or all of the consideration received (or receivable) from the customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each reporting period. Refer to the above accounting policy on variable consideration.

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:

IFRS 9 – *Financial Instruments*
The amendments affect the classification, measurement and derecognition of financial assets and financial liabilities.

The Group has adopted the amendment for the first time in the 2019 annual financial statements. The impact of the amendment is not material.

IFRS 15 – *Revenue from Contracts with Customers*
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 impact of the amendment is not material.

The Group has applied the modified retrospective approach for the first time in the 2019 annual financial statements.

IFRS 2 – *Classification and Measurement of Share based Payment Transactions* – **Amendments to IFRS 2**
The effective date of the amendment is for years beginning on or after 1 January 2018. The Group has adopted the amendment for the first time in the 2019 annual financial statements. The adoption of the amendment is not material.

Applying IFRS 9 – *Financial Instruments* **with IFRS 4** – *Insurance Contracts* – **Amendments to IFRS 4**
The effective date of the amendment is for years beginning on or after 1 January 2018. The Group has applied the full retrospective approach for the first time in the 2019 annual financial statements The adoption of the amendment did have any impact on the Group.

Transfers of Investment Property **(Amendments to IAS 40)**
The effective date of the amendment is for years beginning on or after 1 January 2018. The Group has adopted the amendment for the first time in the 2019 annual financial statements. The adoption of the amendment did not have any impact on the Group.

IFRIC Interpretation 22 – *Foreign Currency Transactions and Advance Consideration*
The effective date of the amendment is for years beginning on or after 1 January 2018. The Group has adopted the amendment for the first time in the 2019 annual financial statements. The adoption of the amendment did not have any material impact on the Group.

AIP IFRS 1 – *First-time Adoption of International Financial Reporting Standards* – **Deletion of short-term exemptions for first-time adopters**
The effective date of the amendment is for years beginning on or after 1 January 2018. The Group has adopted the amendment for the first time in the 2019 annual financial statements. The adoption of the amendment did not 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**
The effective date of the amendment is for years beginning on or after 1 January 2018. The Group has adopted the amendment for the first time in the 2019 annual financial statements. The adoption of the amendment did not have any material impact on the Group.

2.2 Standards and interpretations not yet effective

Standard/amendment	Applied/ effective	Impact
IFRS 16 – *Leases New standard*	1 Jan 2019	The impact of these amendments have been evaluated by the Group. See note 35.
IFRIC Interpretation 23 – *Uncertainty over Income Tax Treatments*	1 Jan 2019	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 2019	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 2019	The Group is currently assessing the impact of IAS 28 and plans to adopt the new standard on the required effective date.
Definition of Material – *Amendments to IAS 1 and IAS 8*	1 Jan 2020	The Group is currently assessing the impact of IAS 1 and IAS 8 and plans to adopt the new standard on the required effective date.
The Conceptual Framework for Financial Reporting	1 Jan 2020	The Group is currently assessing the impact and plans to adopt the new standard on the required effective date.
Definition of a Business – *Amendments to IFRS 3*	1 Jan 2020	The Group is currently assessing the impact of IFRS 3 and plans to adopt the new standard on the required effective date.

Figures in Rand	2019 Cost	2019 Accumulated depreciation	2019 Carrying value
3. PROPERTY, PLANT AND EQUIPMENT			
Office and IT equipment	**7 742 325**	**(2 876 093)**	**4 866 232**
Motor vehicles	**208 915**	**(106 234)**	**102 681**
Furniture and fixtures	**1 679 930**	**(369 771)**	**1 310 159**
Leasehold Improvements	**3 622 566**	**(371 508)**	**3 251 058**
Payment terminals and devices	**16 592 791**	**(4 385 588)**	**12 207 203**
Total	**29 846 527**	**(8 109 194)**	**21 737 333**

	2019 Opening balance	Additions	Disposals	Depreciation	Carrying value
Reconciliation of property, plant and equipment					
Office and IT equipment	**4 068 494**	**3 051 858**	**(96 888)**	**(2 157 232)**	**4 866 232**
Motor vehicles	**158 107**	**–**	**–**	**(55 426)**	**102 681**
Furniture and fixtures	**446 490**	**1 141 474**	**–**	**(277 805)**	**1 310 159**
Leasehold Improvements	**–**	**3 622 566**	**–**	**(371 508)**	**3 251 058**
Payment terminals and devices	**10 602 593**	**8 716 957**	**(1 512 552)**	**(5 599 795)**	**12 207 203**
	15 275 684	**16 532 855**	**(1 609 440)**	**(8 461 766)**	**21 737 333**

	2018 Cost	2018 Accumulated depreciation	2018 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
Leasehold Improvements	–	–	–
Payment terminals and devices	11 683 222	(1 080 629)	10 602 593
Total	18 061 480	(2 785 796)	15 275 684

	2018 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
Leasehold Improvements	–	–	–	–	–	–
Payment terminals and devices	–	8 693 584	3 383 782	(394 144)	(1 080 629)	10 602 593
	211 725	13 353 770	4 905 271	(451 973)	(2 743 109)	15 275 684

Figures in Rand	2019 Cost	2019 Accumulated amortisation	2019 Carrying value
4. INTANGIBLE ASSETS			
Computer software	**5 299 500**	**(963 534)**	**4 335 966**
Customer web portal	**26 217**	**(21 228)**	**4 989**
Intangible asset recognised on acquisition of businesses	**83 348 000**	**(25 430 333)**	**57 917 667**
Customer relationships	**67 818 000**	**(19 134 083)**	**48 683 917**
Computer software	**15 530 000**	**(6 296 250)**	**9 233 750**
Total	**88 673 717**	**(26 415 095)**	**62 258 622**

	2019 Opening balance	2019 Additions	2019 Amortisation	2019 Carrying value
Reconciliation of intangible assets				
Computer software	**249 786**	**4 789 882**	**(703 702)**	**4 335 966**
Customer web portal	**17 009**	**–**	**(12 020)**	**4 989**
Intangible asset recognised on acquisition of businesses	**71 185 667**	**–**	**(13 268 000)**	**57 917 667**
Customer relationships	**58 666 917**	**–**	**(9 983 000)**	**48 683 917**
Computer software	**12 518 750**	**–**	**(3 285 000)**	**9 233 750**
	71 452 462	**4 789 882**	**(13 983 722)**	**62 258 622**

	2018 Cost	2018 Accumulated amortisation	2018 Carrying value
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

	2018 Opening balance	2018 Acquisitions	2018 Additions	2018 Amortisation	2018 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	2019	2018
5. GOODWILL		
Carrying amount	**728 577 776**	728 577 776
Movement in goodwill		
Carrying value at the beginning of the year	**728 577 776**	–
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**	728 577 776
Reconciliation		
Payments and Payment Infrastructure business	**603 604 373**	603 604 373
Software and Services business	**124 973 403**	124 973 403
	728 577 776	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 21.8% for the Payments and Payment Infrastructure business (Payments division) and 21.8% 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 of 10.51%. Trading and operating margins have been assumed to remain consistent with the 2019 financial results.

The Software and Services business has forecasted compounded revenue growth of 19.2% over the five-year period. Trading and operating margins have been assumed to remain consistent with the 2019 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.

Acquisitions of businesses

On 5 May 2017 (prior year), the Group acquired 100% of the shares in African Resonance Business Solutions Proprietary Limited (African Resonance), Rinwell Proprietary Limited, which is 100% shareholder of Dashpay Proprietary Limited (Rinwell Group) and Synthesis Software Technologies (Synthesis).

Acquisition of African Resonance

The fair values of the identifiable assets and liabilities of African Resonance as at 5 May 2017, the date of acquisition, have not changed since acquisition date. Goodwill has not been impaired in the current year.

Figures in Rand	Fair value recognised on acquisition
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

5. GOODWILL CONTINUED

Acquisition of Rinwell Group

The fair values of the identifiable assets and liabilities of Rinwell Group as at 5 May 2017, the date of acquisition, have not changed since acquisition date. Goodwill has not been impaired in the current year.

Figures in Rand	Fair value recognised on acquisition
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

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

Acquisition of Synthesis

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

Figures in Rand	Fair value recognised on acquisition
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

The Synthesis profit warranty consideration of R33 063 000 has been included as part of the purchase consideration. The Synthesis shareholders will receive R10 million cash and an issue of 30 million shares. The remaining period of the warranty is 12 months of the total 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.

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	2019	2018
6. OTHER FINANCIAL ASSETS		
Long-term receivable	**19 011 040**	17 625 214
	19 011 040	17 625 214

In terms of the loan agreement, the loan is repayable not later than 5 May 2020. The loan bears interest at the repo bank rate plus 1%. The estimated credit losses have been assessed for this receivable and the full amount is expected to be received on due date. The Group calculates the expected credit loss allowance by comparing the year-end balance against the future expected amount receivable as per the terms of the agreements and recording the difference between the two..

Figures in Rand	2019	2018

7. INVESTMENT IN ASSOCIATES

Unlisted investments

7.1 Resonance Australia Proprietary Limited

17 580 shares at cost	**29 746 521**	29 746 521
Share of loss of associate	**(3 386 392)**	(958 211)
	26 360 129	28 788 310
Reconciliation		
Opening balance	**28 788 310**	–
Acquisitions during the year	–	29 746 521
Share of equity accounted loss in associate	**(2 428 181)**	(958 211)
Closing balance	**26 360 129**	28 788 310

During the prior year, 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 AUD1 383 464 (2018: AUD551 235) and the Group 's share of the loss amounted to AUD241 414 (2018: AUD96 191) for the year to 31 March 2019. The loss was converted at the average exchange rate for the period of AUD1: R10.02 (2018: AUD1: R9.96). The principal place of business of Resonance Australia Proprietary Limited is in Sydney, Australia, and the year-end is 30 June.

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

Summarised financial information of associate as at 31 March 2019

Income statement		
Revenue	–	–
Loss before and after taxation	**(13 862 309)**	(5 491 181)
Balance sheet		
Assets		
Property, plant and equipment	**6 532 156**	1 551 106
Sundry receivables	**25 589**	330 854
Cash and cash equivalents	**15 292 013**	30 231 676
Total assets	**21 849 758**	32 113 636
Equity and liabilities		
Capital and reserves	**5 614 706**	17 739 905
Shareholders loans	**15 540 000**	13 530 000
Other liabilities	**695 052**	843 731
	21 849 758	32 113 636

7.2 Proximity ID Proprietary Limited

69 shares at cost	**460 000**	460 000
Provision for impairment	**(459 999)**	(459 999)
	1	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 prior year.

Figures in Rand	2019	2018
8. DEFERRED TAX		
Deferred tax asset		
Accelerated allowances for tax purposes	**513 196**	264 819
Timing differences	**1 382 061**	–
Deferred revenue	**380 893**	751 893
Recognition of deferred tax on assessable loss	**2 865 285**	1 626 816
	5 141 435	2 643 528
Reconciliation of deferred tax asset		
At beginning of period	**2 643 528**	–
Deferred revenue on acquisition of businesses	**–**	525 583
Accelerated allowances for tax purposes on acquisition of businesses	**248 377**	264 819
Timing differences	**1 382 061**	–
Deferred revenue	**(371 000)**	226 310
Recognition of deferred tax on assessable loss	**1 238 469**	1 626 816
	5 141 435	2 643 528

Recognition of deferred tax asset

Deferred tax assets have been recognised in respect of temporary differences where there is high probability 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 given the uncertainty that these assets will be recovered in the foreseeable future.

	2019	2018
9. INVENTORIES		
Prepaid airtime	**128 088**	138 245
Inventory – terminals	**16 039 157**	21 181 863
	16 167 245	21 320 108

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. The only amount of inventory that has been expensed relates to cost of sales. There has been no write down from cost to net realisable value.

	2019	2018
10. TRADE AND OTHER RECEIVABLES		
Trade and other receivables	**36 945 405**	61 769 814
Staff loans	**274 493**	2 980 657
Deposits	**931 276**	2 636 913
VAT receivable	**1 633 585**	153 709
Prepayments	**4 582 759**	493 434
Total trade and other receivables	**44 367 518**	68 034 527

The repayment terms for trade and other receivables are between 30 and 60 days and are interest free. There are no repayment terms for the staff loans.

Included in prepayments is a supplier development prepayment of R3 637 000. This will be expensed during the next financial year.

Categorisation of trade and other receivables

Trade and other receivables are categorised in accordance with IFRS 9: Financial Instruments as follows:

	2019	2018
At amortised cost	**38 151 174**	67 880 818
Non-financial instruments	**6 216 344**	153 709
	44 367 518	68 034 527

Fair value of trade and other receivables

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

Figures in Rand	2019	2018
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 2019, R6 301 320 (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.		
The ageing of amounts past due but not impaired are as follows:		
30 days past due	**2 174 475**	4 962 989
60 days past due	**3 624 889**	2 571 483
90 days past due	**502 256**	1 819 631
	6 301 320	9 354 103
Trade and other receivables impaired		
As of 31 March 2019, no trade and other receivables were impaired (2018: R136 783)		
The ageing of these receivables was in excess of 120 days.		
Exposure to currency risk		
The net carrying amounts, in Rand, of trade and other receivables, excluding non-financial instruments, are denominated in the following currencies. The amounts have been presented in Rand by converting the foreign currency amount at the closing rate at the reporting date.		
Rand amount		
Rand	**1 775 208**	1 895 580
US dollar	**122 469**	161 260

11. LOAN TO ASSOCIATE

	2019	2018
Opening balance	**4 512 392**	–
Loan granted during the year	–	5 024 792
Unrealised foreign exchange gain/(loss)	**666 849**	(512 400)
Closing balance	**5 179 241**	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 2019 of AUD10.36 (2018 AUD1: R9.02). The estimated credit losses have been assessed for this receivable and the determination is that the full amount is expected to be received.

Split between non-current and current portions		
Current asset	**5 179 241**	4 512 392

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:	2019	2018
Bank balances	**23 777 774**	26 461 518
Call and notice deposits	**587 449 716**	486 708 344
Bank overdraft	**(2 434 271)**	–
	608 793 219	513 169 862
Current assets	**611 227 490**	513 169 862
Current liabilities	**(2 434 271)**	–
	608 793 219	513 169 862

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 measured at fair value. The maximum exposure to credit risk at the reporting date is the carrying amount. The Group only has deposits with major banks with high-quality ratings 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	2019	2018
13. SHARE CAPITAL		
Ordinary shares of no par value	**1 204 657 490**	1 211 781 099

	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**	1 555 000 000
Ordinary shares of no par value repurchased	**(63 642 000)**	(55 620 000)
Ordinary shares of no par value at year-end	**1 491 358 000**	1 499 380 000
Reconciliation of issued ordinary shares		
Number of issued ordinary shares, net of treasury shares at the beginning of the year	**1 499 380 000**	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	**1 499 380 000**	1 555 000 000
Number of ordinary shares repurchased during the year	**(8 022 000)**	(55 620 000)
Number of issued ordinary shares, net of treasury shares at the end of the year	**1 491 358 000**	1 499 380 000

Figures in Rand	2019	2018
14. 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.		
Share-based payment reserve	**1 172 400**	250 500

	2019	
	Number	**Price**
The number and fair value of the share options are:		
Beginning of the year	**12 975 000**	**80 cents**
Forfeited	**(2 380 000)**	**80 cents**
Granted	**21 500 000**	**80 cents**
End of the year	**32 095 000**	**80 cents**

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

The Group recognised an expense of R921 900 (2018: R250 500) for the options granted during the 2019 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 binomial option-pricing model.

1. Fair value at measurement date (cents)	25.00
2. Exercise price (cents)	80.00
3. Expected volatility (%)	25.69
4. Option life (years)	5.39
5. Distribution yield (%)	2.00
6. Risk-free rate (based on National Bond Curve) (%)	8.05

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

Figures in Rand	**2019**	2018
15. CONTINGENT CONSIDERATION RESERVE		
Cash	**9 271 591**	8 689 618
Shares	**24 900 000**	24 900 000
Total	**34 171 591**	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 remaining period of the warranty is 12 months of the total 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.

16. DEFERRED REVENUE

Deferred income to be realised:

	Within one year	**In second to fifth year**	**Later than 5 years**	**Total**
2019	**1 850 000**	**7 400 000**	**1 754 167**	**11 004 167**
2018	1 325 000	5 300 000	1 766 667	8 391 667

Figures in Rand	**2019**	2018
Non-current liabilities	**9 154 167**	7 066 667
Current liabilities	**1 850 000**	1 325 000
	11 004 167	8 391 667

Deferred income arises from advanced payments from customers in respect of future licensed software and maintenance services. The amount of revenue recognised in the current year was R1 587 500 (2018: 1 325 000). In the following financial year R1 850 000 will be recognised in revenue.

17. DEFERRED TAX

Deferred tax liability

Figures in Rand	2019	2018
Opening balance	**19 931 987**	–
Deferred tax liability on intangible assets on acquisition	**–**	23 337 440
Amortisation of intangible assets	**(3 715 040)**	(3 405 453)
Closing balance	**16 216 947**	19 931 987

18. TRADE AND OTHER PAYABLES

Trade payables and accruals	**51 484 088**	32 046 313
VAT	**1 872 843**	1 044 835
	53 356 931	33 091 148

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

19. OTHER FINANCIAL LIABILITIES

Held at amortised cost

Sasfin Bank Limited	**–**	2 989 613

This liability is a securitisation transaction with Sasfin Bank, which was repaid in full in December 2018.

Rental income to the value of the loan was previously ceded as security to Sasfin Bank.

20. REVENUE

Payments and payment infrastructure division		
Rental income	**79 289 046**	82 385 242
Maintenance and support service fees	**73 871 669**	45 068 642
Sale of terminals	**290 897 279**	276 047 720
Merchant acquiring and set-up fees	**15 059 982**	11 604 323
Sundry revenue	**10 776 735**	–
	469 894 711	415 105 927
Software and Services division		
Services and consultancy fees	**102 215 242**	71 274 480
Licence and subscription fees	**32 884 725**	18 757 519
Hardware	**2 728 345**	3 065 924
	137 828 312	93 097 923
Total revenue	**607 723 023**	508 203 850

Sundry revenue is subscriptions, software applications, project fees and terminal repairs/replacement fees. Sundry income and terminal recoveries which were considered other income in the prior year, have been classified as revenue in the current year.

20. REVENUE CONTINUED

Figures in Rand	2019	2018
Disaggregation of revenue from contracts with customers		
The Group disaggregates revenue from customers as follows:		
Sale of goods		
Sale of terminals	**290 897 279**	276 047 720
Hardware	**2 728 345**	3 065 924
	293 625 624	279 113 644
Rendering of services		
Services and consultancy fees	**102 215 242**	71 274 480
Licence and subscription fees	**32 884 725**	18 757 519
Rental income	**79 289 046**	82 385 242
Maintenance and support service fees	**73 871 669**	45 068 642
Merchant acquiring and set-up fees	**15 059 982**	11 604 323
Sundry revenue	**10 776 735**	–
	314 097 399	229 090 206
Total revenue from contracts with customers	**607 723 023**	508 203 850

Revenue from the sale of terminals is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the terminals. The Group recognises revenue from maintenance and support service fees over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group. The practical expedient related to contract modifications may be applied for all contract modifications occurring before the beginning of the earliest period presented or modifications that occur before the date of initial application.

21. OTHER INCOME

Sundry income	**–**	19 309 213
Terminal recoveries	**–**	3 521 442
Other income	**–**	794 532
Foreign exchange gains	**2 672 433**	–
Bad debts recovered	**5 276**	–
	2 677 709	23 625 187

Sundry income is subscriptions, software applications, project fees and terminal repairs/replacement fees. Sundry income and terminal recoveries which were considered other income in the prior year, have been classified as revenue in the current year.

Figures in Rand	2019	2018
22. OPERATING PROFIT		
	138 545 266	162 295 812
The following items are included within operating profit:		
Auditors remuneration		
External Audit fees	**1 310 324**	1 760 000
Internal Audit Fees	**1 018 760**	–
Employee costs	**87 428 080**	60 284 305
Share-based payment expense	**921 900**	250 500
Depreciation and amortisation		
Depreciation of property, plant and equipment	**8 461 766**	2 743 109
Amortisation		
Amortisation of intangible assets	**715 722**	269 042
Amortisation of intangible assets on acquisition of businesses	**13 268 000**	12 162 333
	13 983 722	12 431 375
Operating lease charge: Motor vehicles	**78 536**	250 939
Operating lease charge: Premises	**11 695 586**	7 132 542
	11 774 122	7 383 481
Transformation costs[1]	**10 824 574**	8 940 291
Impairment on investment in associate	**–**	459 999
Legal fees	**3 434 577**	358 119
Directors' emoluments	**6 623 333**	4 938 333
Net unrealised foreign exchange gain/(loss)	**2 672 433**	(1 295 212)

[1] *Transformation costs have been incurred and classified in terms of the Broad-Based Black Economic Empowerment Act in order to facilitate the implementation of broad-based black economic empowerment.*

Figures in Rand	2019	2018
23. FINANCE INCOME		
Interest income		
Bank	**36 798 041**	38 055 621
Loans advanced	**1 482 284**	1 381 648
	38 280 325	39 437 269
24. FINANCE COSTS		
Interest paid		
Bank	**–**	258 438
SARS	**19 763**	–
Present value of cash portion of the contingent consideration (note 15)	**581 972**	526 618
	601 735	785 056
25. TAXATION		
Major components of the tax expense		
Current		
Local income tax current year	**51 316 518**	62 312 483
Deferred		
Originating and reversing temporary differences	**(2 133 697)**	(5 258 580)
South African normal tax	**49 182 821**	57 053 903
Reconciliation of rate of taxation	**%**	%
South African normal tax	**28.0**	28.0
Adjusted for:		
– Permanent differences	**0.3**	0.4
– Timing differences	**(0.1)**	0.0
– Foreign withholding tax	**0.1**	0.1
Effective tax rate	**28.3**	28.5

Figures in Rand	2019	2018
26. CASH FLOWS		
26.1 Cash flows from operating activities		
Profit before taxation	**173 795 675**	199 989 814
Adjustments for:		
Depreciation	**8 461 766**	2 743 109
Amortisation	**13 983 722**	12 431 375
Finance income	**(38 280 325)**	(39 437 269)
Finance costs	**601 735**	785 056
Share of loss of associate	**2 428 181**	958 211
Share-based payment expense	**921 900**	250 500
Impairment on investment in associate	**–**	459 999
Unrealised foreign exchange (gain)/loss	**(2 233 759)**	660 267
Movement in operating lease smoothing accrual	**1 182 800**	–
Profit on disposal of assets	**138 223**	13 873
Changes in working capital		
Inventory	**5 152 863**	(5 905 917)
Trade and other receivables	**23 667 009**	(7 323 253)
Related party receivables	**–**	891 800
Trade and other payables	**20 265 783**	998 585
Deferred revenue	**2 612 500**	(1 214 583)
	212 698 073	166 301 567
26.2 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	**–**	–

27. COMMITMENTS

	2019	2018
Operating leases as lessee (expense)		
Minimum lease payments		
Payable within one year	**8 714 405**	8 468 406
Payable within two to five years	**31 174 971**	31 011 599
	39 889 376	39 480 005

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

	2019	2018
Operating leases – as lessor (income)		
Minimum lease payments		
Payable within one year	**6 634 642**	47 317 000
Payable within two to five years	**–**	6 634 642
	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 represents the minimum rentals before CPI increases.

28. RELATED PARTIES

28.1 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.

28.2 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 and 25 000 000 founders initial ordinary shares in 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 loans granted to 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		**2019**	2018
The Trust	Trade and other receivables	**108 312**	75 180
CAET Holdings Proprietary Limited	Trade and other receivables	**153 853**	112 870

28.3 Given the 21.4% shareholding by the Government Employees Pension Fund in the Group and their representation on the Board, during the year 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 have been disclosed in the directors' report and note 32.

Relationships

Holding Company	Capital Appreciation Limited
Subsidiaries	African Resonance Business Solutions Proprietary Limited Rinwell Proprietary Limited Dashpay Proprietary Limited Synthesis Software Technologies Proprietary Limited CAPPREC Management Services Proprietary Limited
Associates	Resonance Australia Proprietary Limited Proximity ID Proprietary Limited
Directors and prescribed officers	**Directors:** M Sacks B Sacks M Pimstein A Salomon E Neishlos H Neishlos **Prescribed officers:** S Basson D Engelbrecht B Frazier B Kruger B Powell M Shapiro J Shepherd C van der Merwe T Wells

28. **RELATED PARTIES** CONTINUED

Relationships

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	2019	2018
Related party balances		
Loans to		
CAPPREC Management Services Proprietary Limited	**49 643 908**	41 020 612
Resonance Australia Proprietary Limited	**5 179 241**	4 512 392
Capital Appreciation Empowerment Trust	**108 180**	75 180
CAET Holdings Proprietary Limited	**153 482**	112 870
Albanta Trading 101 Proprietary Limited	**535 807**	134 477
Loans from		
African Resonance to H Neishlos (pre-acquisition contractual agreement)	**19 011 040**	17 625 214
African Resonance to Capital Appreciation Limited	**116 495 373**	–
Synthesis to Capital Appreciation Limited	**5 080 079**	–
Dashpay to Capital Appreciation Limited	**5 086 460**	–
Related party transactions		
Revenue received by African Resonance from Dashpay	**8 247 949**	3 135 000
Income received by African Resonance from Dashpay	**–**	208 975
Interest received by African Resonance from H Neishlos	**1 383 588**	1 381 648
Interest received by African Resonance from Capital Appreciation Limited	**1 996 658**	–
Interest received by Dashpay from Capital Appreciation Limited	**86 459**	–
Interest received by Synthesis from Capital Appreciation Limited	**80 709**	–
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
Prepayment by Synthesis to K2017220477 (South Africa) NPC	**490 000**	490 000
Administration fees and costs paid to related parties		
African Resonance to Capital Appreciation Limited	**1 800 000**	1 650 000
African Resonance to HN Terminal Systems CC	**10 330 131**	14 779 567
African Resonance to Uplink Technology Services Pty Limited	**11 940 601**	12 451 082
African Resonance to Skunkworx Proprietary Ltd	**418 456**	8 310 868
Castlebridge Professional Services Limited	**3 530 600**	3 867 913
Synthesis to Capital Appreciation Limited	**1 050 000**	1 650 000
Synthesis to CAPPREC Management Services Pty Limited	**750 000**	–
Capital Appreciation Limited to CAPPREC Management Services Pty Limited	**1 080 000**	–
Capital Appreciation Limited to Centric Capital Venture LLC	**733 952**	673 107
Directors' fees	**1 440 000**	355 000

29. DIRECTORS' EMOLUMENTS

Executive directors

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

Non-executive directors

	Salary		Fees		Total	
Fees for services as directors:	**2019**	2018	**2019**	2018	**2019**	2018
B Bulo	**–**	–	**230 000**	80 000	**230 000**	80 000
D Dlamini	**–**	–	**130 000**	–	**130 000**	–
J Kahn	**–**	–	**140 000**	45 000	**140 000**	45 000
E Kruger	**–**	–	**130 000**	–	**130 000**	–
D Matjila	**–**	–	**–**	–	**–**	–
M Mokoka	**–**	–	**150 000**	–	**150 000**	–
R Morar	**–**	–	**90 000**	45 000	**90 000**	45 000
E Neishlos	**–**	–	**105 000**	–	**105 000**	–
H Neishlos	**5 183 333**	4 583 333	**90 000**	25 000	**5 273 333**	4 608 333
M Sacks	**–**	–	**–**	–	**–**	–
V Sekese	**–**	–	**205 000**	80 000	**205 000**	80 000
C Valkin	**–**	–	**170 000**	80 000	**170 000**	80 000
Total	**5 183 333**	4 583 333	**1 440 000**	355 000	**6 623 333**	4 938 333

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

The emoluments for H Neishlos include his salary earned from the subsidiary, African Resonance Business Solutions Proprietary Limited.

30. EARNINGS PER SHARE

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

Figures in Rand	**2019**	2018
Profit for the year attributable to ordinary shareholders (Rand)	**124 612 854**	142 935 911
Impairment on investment in associate	**–**	459 999
Headline earnings	**124 612 854**	143 395 910
Basic earnings per share (cents)	**8.33**	9.49
Headline earnings per share (cents)	**8.33**	9.53
Diluted earnings per share (cents)	**8.17**	9.33
Diluted headline earnings per share (cents)	**8.17**	9.36
Number of ordinary shares in issue	**1 555 000 000**	1 555 000 000
Weighted average number of ordinary shares	**1 495 475 231**	1 505 442 013
Diluted weighted average number of ordinary shares	**1 525 475 231**	1 532 647 492

The diluted earnings per share is due to the issuing of 30 million Warranty shares issued on 5 May 2017.

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of financial instruments

	Amortised cost	Total	Fair value
Categories of financial assets			
2019			
Cash and cash equivalents	**611 227 490**	**611 227 490**	**611 227 490**
Trade and other receivables	**38 151 174**	**38 151 174**	**38 151 174**
Other financial assets	**19 011 040**	**19 011 040**	**19 011 040**
Loan to associate	**5 179 241**	**5 179 241**	**5 179 241**
	673 568 945	**673 568 945**	**673 568 945**
2018			
Cash and cash equivalents	513 169 862	513 169 862	513 169 862
Trade and other receivables	67 880 818	67 880 818	67 880 818
Other financial assets	17 625 214	17 625 214	17 625 214
Loan to associate	4 412 392	4 412 392	4 412 392
	603 088 286	603 088 286	603 088 286
Categories of financial liabilities			
2019			
Trade and other payables	**53 356 931**	**53 356 931**	**53 356 931**
Bank overdraft	**2 434 271**	**2 434 271**	**2 434 271**
	55 791 202	**55 791 202**	**55 791 202**
2018			
Trade and other payables	33 091 148	33 091 148	33 091 148
Other financial liabilities	2 989 613	2 989 613	2 989 613
	36 080 761	36 080 761	36 080 761

Pre-tax gains and losses on financial instruments gains and losses on financial assets

	Amortised cost	Total
2019		
Recognised in the statement of comprehensive income:		
Finance income	**38 280 325**	**38 280 325**
	38 280 325	**38 280 325**
2018		
Recognised the statement of comprehensive income:		
Finance income	39 437 269	39 437 269
	39 437 269	39 437 269

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

Categories of financial liabilities

	Amortised cost	Total
2019		
Recognised in the statement of comprehensive income:		
Finance costs	**601 735**	**601 735**
	601 735	**601 735**

Categories of financial liabilities

	Amortised cost	Total
2018		
Recognised in the statement of comprehensive income:		
Finance costs	785 056	785 056
	785 056	785 056

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 is exposed to 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 R1 million and R720 000 respectively (31 March 2018: R3 million and R2 million respectively), 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 and loans receivables. 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 R3.2 million and R2.3 million respectively (31 March 2018: R2.6 million and R1.8 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.

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

	Less than 1 year	Total	Carrying amount
2019			
Current liabilities			
Trade and other payables	**53 356 931**	**53 356 931**	**53 356 931**
	53 356 931	**53 356 931**	**53 356 931**
Categories of financial liabilities			
2018			
Trade and other payables	33 091 148	33 091 148	33 091 148
Other financial liabilities	2 989 613	2 989 613	2 989 613
	36 080 761	36 080 761	36 080 761

Credit risk

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

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:

	Gross carrying amount	Expected credit loss allowance	Amortised cost/ fair value
2019			
Trade and other receivables	**38 151 174**	**–**	**38 151 174**
Other financial assets	**19 011 040**	**–**	**19 011 040**
Loan to associate	**5 179 241**	**–**	**5 179 241**
Cash and cash equivalents	**611 227 490**	**–**	**611 227 490**
	673 568 945	**–**	**673 568 945**
2018			
Trade and other receivables	67 880 818	(136 763)	68 034 525
Other financial assets	17 625 214	–	17 625 214
Loan to associate	4 512 392	–	4 512 392
Cash and cash equivalents	513 169 862	–	513 169 862
	603 088 286	(136 763)	602 951 523

31. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

Credit risk continued

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.

Other financial assets

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

Loan to associate

The purpose of the loan is to allow the associate to utilise the funding for software and other development costs which will, in due course, be revenue generating and generate profitability and from this profitability, the loan will be repaid.

Cash and cash equivalents

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

Expected credit loss allowance

The presumption that more than 30 days past due represents a significant increase in credit has been rebutted with the exception of the staff loan and enterprise development loans. The Group's definition of default are the amounts that will not be repaid in terms of the terms of the loan agreements in future timing periods. The amounts are written off as and when the amounts are not recoverable. The Group calculates the expected credit loss allowance by comparing the year-end balance against the future expected amount receivable as per the terms of the agreements and recording the difference between the two.

32. GROUP INFORMATION

Subsidiaries

The Group acquired the following subsidiaries in the prior year:

	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 in the prior year:

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

33. 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; and
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 2019 and 31 March 2018, the Group considers the loan to associate as a financial instrument for which a fair value is disclosed.

34. DIVIDENDS

A dividend of 2.0 cents per ordinary share was declared on 15 May 2018 amounting to R31.10 million. A dividend of 2.25 cents per ordinary share was declared on 8 November 2018 amounting to R34.99 million. The total dividends paid during the year amounted to R66.09 million (2018: R31.10 million).

35. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 16 DISCLOSURE

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

IFRS 16, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16

During 2019, the Group has performed a detailed assessment of IFRS 16. The Group adopted the modified retrospective approach. In summary, the impact of the adoption of IFRS 16 is expected to be, as follows:

35. STANDARDS ISSUED BUT NOT YET EFFECTIVE CONTINUED

Impact on the statement of financial position (increase/(decrease)) as at 1 April 2019:

Figures in Rand	
Assets	
Property, plant and equipment: Right-of-Use asset	32 400 516
Liabilities	
Lease liability	33 583 316
Operating lease liability	(1 182 800)

36. POST-YEAR-END EVENTS

As noted in the directors' report, the Company and the founder and principal vendor of African Resonance, Dr Hanoch Neishlos, concluded a comprehensive agreement on 9 June 2019, certain key terms of which are as follows:

- Capital Appreciation will repurchase 245 000 000 shares held by Dr Neishlos and related associates at a price per share of 80 cents each, amounting to R196 million excluding any associated costs. These shares on receipt will be cancelled.
- Dr Neishlos and/or his nominee/s will purchase Capital Appreciation's 17.45% interest in Resonance Australia Proprietary Limited and its claims on loan account, for an aggregate amount of R40 million.
- Capital Appreciation will purchase all African Resonance and Dashpay-related intellectual property from Uplink Technology Services Proprietary Limited ("Uplink") and, save for a continuing exclusive licence agreement for the Stratagem technology platform, the services agreement with Uplink will be terminated.
- Dr Neishlos will repay his loan to the Company, currently reflected in note 6 to the Annual Financial Statements.
- All related party receivables and obligations will be settled between the parties in the normal course.

The transaction will *inter alia* require shareholder and the JSE Limited approval and a circular will be prepared and distributed to shareholders in due course.

Management has considered the accounting requirements of IAS 10 (Events after the Reporting Period) and has concluded that this proposed transaction is a non-adjusting post-balance sheet event.