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 AND COMPANY AUDITED ANNUAL FINANCIAL STATEMENTS

for the year ended 31 March 2020

CONTENTS

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

Mr A Salomon (CA(SA)), Chief Financial Officer, is responsible for this set of audited annual financial statements and has supervised the preparation thereof in conjunction with the Financial Manager, Mr B Kruger (CA(SA)).

29 June 2020

GROUP COMPANY SECRETARY'S CERTIFICATION

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

PKF Octagon

Peter Katz
Consultant
PKF Octagon

Johannesburg

29 June 2020

AUDIT AND RISK AND OPPORTUNITY COMMITTEE REPORT

Members of the Audit and Risk and Opportunity Committee ("the committee")

The 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)
Roshan Morar	CA(SA), CFE (Appointed 3 June 2019)
Mathukana Mokoka	BComm (UL), CA(SA) (Resigned 5 April 2019)

The Board is satisfied that the members of the Audit and Risk and Opportunity Committee have the required knowledge and experience as set out in section 94(5) of the Companies Act, 71 of 2008 and Regulation 42 of the Companies Regulation, 2011.

Frequency and attendance of meetings

The 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. Three committee meetings were held during the year. Unrestricted access is granted to the external auditors.

Members	Meeting attendance
Victor Sekese *(Chairman)*	3/3
Bukelwa Bulo	3/3
Roshan Morar	1/2
Mathukana Mokoka (resigned 5 April 2019)	

Executive directors	
M Pimstein	By invitation 3/3
A Salomon	By invitation 3/3
M Shapiro	By invitation 3/3

External auditor

The committee has satisfied itself through enquiry that the external auditors are independent as defined by the Companies Act, 71 of 2008 and as per the standards stipulated by the auditing profession. Requisite assurance was sought in terms of the Companies Act, 71 of 2008 that internal governance processes within the audit firm support and demonstrate their claim to independence.

The 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 and scope of the work required.

Key audit matters

The committee has applied its mind to the key audit areas and key audit matters identified by the external auditors and is comfortable that they have been adequately addressed and disclosed. The item which required significant judgement was goodwill and intangible assets impairment. It was concluded that no impairment of goodwill and intangibles is required.

Statement of internal controls

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

BDO South Africa Proprietary Limited ("BDO") was appointed as the internal audit service provider for the 2019/2020 financial year.

The 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 the risk management, including the design, implementation and the 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's 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.

Risk management

The committee is responsible for reviewing the effectiveness of the system of internal controls, financial reporting and financial risk management and considering the major findings of any internal investigations into control weaknesses, fraud or misconduct and management's response thereto. We have considered and relied on the work of the committee and the social and ethics committee on the non-financial related risk areas.

The committee, in conjunction with the risk committee, is responsible for ensuring that IT forms an integral part of the Group's risk management.

An anonymous ethics line is in place which is managed independently of the Group. All calls reported are in total anonymity and without fear of discrimination. Monthly reports are provided by the independent service provider. There were no incidents reported during the year.

Combined assurance

The committee is of the view that the framework in place for combined assurance is adequate and is achieving the objective of an effective, integrated approach across the disciplines of risk management, compliance and audit.

Expertise of the financial director and finance function

The committee has reviewed the current performance and future requirements for the financial management of the Group and concluded that the current team has the appropriate skills, experience and expertise required to fulfil the finance function. In compliance with the JSE Listings Requirements, the committee satisfied itself of the appropriateness of the expertise and experience of the financial management team as a whole.

Going concern

The committee reviewed the documents prepared by management in which they assessed the going-concern status of the Group and its subsidiaries at year-end and the foreseeable future. Management has concluded that the Group is a going concern.

The committee concurred with management's assessment and recommended acceptance of this conclusion to the board.

Recommendation of the annual financial statement for approval by the board

The committee recommended the group annual financial statements and the company annual financial statements for approval by the board.

On behalf of the committee

Victor Sekese
Chairman
Johannesburg

29 June 2020

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	
K Dlamini *(Chairman)*	Independent
V Sekese	Independent
R Morar	Independent

Members of the Nominations and Remuneration Committee

The members of the Nominations and Remuneration Committee are all non-executive directors of the Group and include:

Name	
M Kahn *(Chairman)*	Independent
M Sacks	Non-independent
K Dlamini	Independent
R Morar	Independent

Members of the Investment Committee

The members of the Investment Committee are:

Name	
M Sacks *(Chairman)*	Non-independent
E Kruger	Independent
B Bulo	Independent
B Sacks	Executive director
M Pimstein	Executive director
A Salomon	Executive director

During the year, the activities of the Social and Ethics Committee, Nomination and Remuneration Committee and the Investment Committee were all incorporated in the Group's three Board and Audit, and Risk and Opportunity Committee meetings.

DIRECTORS' RESPONSIBILITIES AND APPROVAL

The directors are required, in terms of the Companies Act, 71 of 2008, to maintain adequate accounting records and are responsible for the content and integrity of the financial statements and related financial information included in this report. It is their responsibility to ensure that the financial statements fairly present the state of affairs of the Group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards and the Companies Act requirements. The external auditor is engaged to express an independent opinion on the financial statements.

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

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

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

The directors have reviewed the Group's cash flow forecast for the year to 31 March 2021, and in the light of this review and the current financial position, they are satisfied that the Group has or will have access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently auditing and expressing an opinion on the Group's financial statements. The financial statements have been examined by the Group's external auditors and their report is presented on pages 6 to 8.

The financial statements set out on pages 14 to 81, which have been prepared on the going-concern basis, were approved by the board on 29 June 2020, in accordance with section 30(3)(c) of the Companies Act, 71 of 2008, and were signed on their behalf by:

Approval of financial statements

Michael (Motty) Sacks
Chairman

Michael Pimstein
Joint Chief Executive Officer

Alan Salomon
Chief Financial Officer

Bradley Sacks
Joint Chief Executive Officer

EY
102 Rivonia Road
Sandton
Private Bag X14
Sandton
2146

Ernst & Young Incorporated
Co Reg No 2005/002308/21
Tel: +27 (0) 11 772 3000
Fax: +27 (0) 11 772 4000
Docex 123 Randburg
ey.com

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Capital Appreciation Limited

Report on the Audit of the Group and Company Financial Statements

Opinion

We have audited the group and company financial statements of Capital Appreciation Limited and its subsidiaries ('the group') and company set out on pages 14 to 81, which comprise of the group and company statements of financial position as at 31 March 2020, and the group and company statements of comprehensive income, the group and company statements of changes in equity and the group and company statements of cash flows for the year then ended, and notes to the group and company financial statements, including a summary of significant accounting policies.

In our opinion, the group and company financial statements present fairly, in all material respects, the group and company financial position as at 31 March 2020, and its group and company financial performance and group and company 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 and company financial statements section of our report. We are independent of the group and company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements of the group and company and in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits of the group and company and in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA code) and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. 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 and company financial statements of the current period. These matters were addressed in the context of our audit of the group and company 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 and company 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 and company 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 and company financial statements.

Key Audit Matter	How the Matter was Addressed in the Audit
Goodwill and intangible assets impairment (Group Only) At 31 March 2020, the Group's goodwill and intangible assets balance is valued at R728.6 million and R61.9 million respectively. In terms of IFRS, the Group is required to annually test for the impairment of goodwill and intangible assets. The cash flow models used to determine the recoverable amount of the cash generating units containing goodwill, are based on several assumptions that are subject to significant judgment and estimation, including future growth rates, forecasted cash flows and the weighted average cost of capital. The cash flow models, are updated annually for changes in the future growth rates and forecasted cashflows, based on the latest position of the Group. The same cashflow models are used to determine the recoverable amount of the intangible assets recognised on acquisition of the group's subsidiaries. The disclosures relating to goodwill and intangible assets, as well as managements' assumptions, are included in note 1.1, 1.3, 4 and 6 of the group financial statements.	Our procedures over goodwill and intangibles assets included, amongst others, the following: ▪ We obtained an understanding over the impairment testing process. ▪ We assessed the objectivity and competence of the external expert used by management to perform the impairment assessment. ▪ We involved our internal valuation specialists to assist us in assessing the underlying principles and arithmetical accuracy of the cash flow models and the calculation of the discount rate. ▪ We assessed the inflows and outflows of the forecasted cash flows to test that they are cash in nature. ▪ We performed procedures on the non-cash adjustments in the forecasted cash flows to test that they are non-cash in nature. ▪ We assessed the reasonableness of the growth rates used in the cash flow models by comparing the rates used in the calculation against external market growth rates, historical growth trends and future expected growth rates based on our understanding of the business and future confirmed business. ▪ We assessed the accuracy of management's forecasting by comparing the current year budget to the actual performance achieved. ▪ We performed a sensitivity analysis by adjusting the terminal growth rates, revenue growth rates, operating growth rates and the discount rate to evaluate the impact on the impairment valuation. ▪ We assessed the disclosures, including the description of the estimates and judgements used in impairment testing, against the IAS 36 requirements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the 81 page document titled "Capital Appreciation Limited Group and Company Audited Annual Financial Statements for the year ended 31 March 2020" which includes the Directors' Report, the Audit and Risk and Opportunity Committee's Report and the Company Secretary's Certification as required by the Companies Act of South Africa. The other information does not include the group and company financial statements and our auditor's report thereon.

Our opinion on the group and company 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 and company 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 and company 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.

Responsibilities of the Directors for the Group and Company Financial Statements

The directors are responsible for the preparation and fair presentation of the group and company 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 and company financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the group and company Financial Statements

Our objectives are to obtain reasonable assurance about whether the group and company 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 based on these group and company 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 and company 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 to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the group's and company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the group and company 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 and company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the group and company financial statements, including the disclosures, and whether the group and company 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 and company financial statements. We are responsible for the direction, supervision and performance of the group and company audit. We remain solely responsible for our audit opinion.
- We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Report on Other Legal and Regulatory Requirements

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

Ernst & Young Inc.

Ernst & Young Inc.
Director – Charles Trollope

Registered Auditor
Chartered Accountant (SA)

Date: 29 June 2020

DIRECTORS' REPORT

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")

Payments

African Resonance is a leading provider of payment infrastructure and related technology solutions to established financial institutions, emerging payment service providers, the hospitality industry, both directly and indirectly. Dashpay's multi-product, multi-party universal transacting platforms, provides 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.

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 Financial Services, DevOps (Development Operations), Well Architected Framework and Saas Partner.

CTA Enterprise Development Fund (EDF)

The first investment CAPPREC made through its EDF is Govchat. Govchat is the official platform for connecting Government to people and people to Government and is the result of an open partnership with the Department of Co-operative Development and Traditional Affairs (CoGTA), the South African Local Government Association (SALGA) and Government Communication and Information System (CGIS). Govchat is presently operational online, through WhatsApp and Facebook Messenger and on feature phones through USSD.

Authorised and issued share capital

At 31 March 2020, 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 1 310 000 000 ordinary shares of no par value (2019: 1 555 000 000) and nil constituent ordinary shares of no par value. The Group repurchased and cancelled 245 000 000 ordinary shares from H Neishlos and associates, in terms of the share repurchase and small related party transaction, which was approved by shareholders at a general meeting held on 27 August 2019.

Movement in treasury shares

In terms of the general authority granted to the company to repurchase its ordinary shares, the latest being the shareholder authority obtained at the AGM of shareholders held on 27 August 2019, the company purchased 45 144 351 treasury shares (2019: 8 022 000 treasury shares), costing R33 890 387 (2019: R7 123 610). The total number of treasury shares at year-tend amounted to 108 786 351 (2019: 63 642 000).

Acquisitions and disposals

Acquisitions

The Group acquired a 35% interest in Govchat Proprietary Limited for R1.

The Group acquired certain intellectual property from Uplink Proprietary Limited in terms of the share repurchase and small related party transaction, which was approved by shareholders at a general meeting held on 27 August 2019.

Disposals

The Group disposed of its 17.45% interest in Resonance Australia Proprietary Limited in terms of the share repurchase and small related party transaction, which was approved by shareholders at a general meeting held on 27 August 2019.

Dividends

Dividends paid during the year

A dividend of 2.00 cents per ordinary share was declared on 10 June 2019 amounting to R31.10 million.
A dividend of 2.25 cents per ordinary share was declared on 18 November 2019 amounting to R29.48 million.
The total dividends paid during the year amounted to R60.58 million (2019: R66.09 million).

Dividends declared

The Board has pleasure in announcing that a final dividend of 2.75 cents per ordinary share has been declared for the 12 months ended 31 March 2020. The total dividend for the year ended 31 March 2020 amounts to 5.00 cents per ordinary share (2019: 4.25 cents).

We note the following:

- Dividends are subject to dividends withholding tax
- The payment date for the dividend is Monday, 20 July 2020
- Dividends have been declared out of profits available for distribution
- Local dividends withholding tax is 20%
- Gross dividend amount is 2.75 cents per ordinary share which is 2.20 cents net of withholding tax
- CAPPREC has 1 310 000 000 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 to trade *cum* dividend: Tuesday, 14 July 2020
- Shares commence trading *ex*-dividend: Wednesday, 15 July 2020
- Dividend record date: Friday, 17 July 2020
- Dividend payment date: Monday, 20 July 2020

Share certificates for ordinary shares may not be dematerialised or rematerialised between Wednesday, 15 July 2020 and Friday, 17 July 2020, both days inclusive.

Material resolutions

The following material resolutions were passed during the year:

Board resolutions

- 10 June 2019, a dividend of 2.00 cents per share payable to shareholders on 8 July 2019.
- 18 November 2019, a dividend of 2.25 cents per share payable to shareholders on 9 December 2019.
- 11 March 2020, approval of the Conditional Share Plan.

Shareholders' ordinary resolution

- 9 June 2019, approval of the share repurchase and small related party transaction and preparation of the circular to shareholders.
- 27 August 2019, approval of the Group annual financial statements as at 31 March 2019.
- 27 August 2019, retirement, re-election and reappointment as directors: B Bulo, D Dlamini, R Morar, M Sacks and M Shapiro.
- 27 August 2019, reappointment of Ernst & Young Inc. as external auditors of the Group.
- 27 August 2019, general authority to issue shares for cash.

Shareholders' special resolution's

- 27 August 2019, approval of non-executive directors' remuneration for the period to the date of the 2020 Annual General Meeting.
- 27 August 2019, authority granted to provide financial assistance to subsidiaries and other related and interrelated entities.
- 27 August 2019, authority to repurchase the company's ordinary shares.

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
Non-executive			
M Sacks *(Chairman)*	3 March 2015		3/3
B Bulo	15 September 2015		3/3
D Dlamini	9 May 2018		2/3
M Kahn	15 September 2015		3/3
E Kruger	9 May 2018		3/3
M Mokoka	9 May 2018	5 April 2019	
E Neishlos	9 May 2018	17 September 2019	1/1
H Neishlos	10 November 2017	17 September 2019	1/1
R Morar	15 September 2015		3/3
V Sekese	15 September 2015		3/3
C Valkin	15 September 2015		3/3
Executive			
M Pimstein	3 March 2015		3/3
B Sacks	19 March 2015		3/3
A Salomon	3 March 2015		3/3
M Shapiro	12 June 2019		3/3

During the year, the activities of the Social and Ethics Committee, Nomination and Remuneration Committee and the Investment Committee were all incorporated in the Group's three Board and Audit, and Risk and Opportunity Committee meetings.

Directors' shareholding

The individual interests declared by the directors and officers held in the Group share capital as at 31 March 2020, are as follows:

	2020	2019
Beneficial directors	Number of ordinary shares	Number of ordinary shares
M Kahn	3 600 000	3 600 000
R Morar	100 000	100 000
E Neishlos	–	15 000 000
H Neishlos	–	204 500 000
M Pimstein	60 429 792	59 003 542
B Sacks*	70 833 333	70 833 333
M Sacks	45 500 000	44 073 750
A Salomon	57 263 776	56 903 542
M Shapiro**	19 175 000	–
C Valkin	250 000	250 000
Total	257 151 901	454 264 167

* *Held through Centric Capital Ventures LLC*
** *M Shapiro was appointed as a director on 12 June 2019. His shareholding at 31 March 2020 was 19 175 000 (2019:19 175 000)*

Directors' remuneration

The remuneration paid to directors while in office in the Group during the year ended 31 March 2020 is as follows:

Figures in Rand	2020	2019
Executive directors		
M Pimstein	1 800 000	–
B Sacks	1 800 000	–
A Salomon	1 800 000	–
M Shapiro*	3 800 463	–
Total	9 200 463	–
Non-executive directors		
B Bulo	210 000	230 000
D Dlamini	80 000	130 000
M Kahn	120 000	140 000
E Kruger	120 000	130 000
M Mokoka	–	150 000
R Morar	120 000	90 000
E Neishlos	40 000	105 000
H Neishlos	40 000	90 000
M Sacks	150 000	–
V Sekese	240 000	205 000
C Valkin	120 000	170 000
Total	1 240 000	1 440 000

* *M Shapiro was appointed as a director on 12 June 2019. His remuneration for the year ended 31 March 2020 was R3 800 463 (2019: R3 331 647)*

The non-executive directors' remuneration was approved by special resolution at the Annual General Meeting held on 27 August 2019.

Directors' and officers' disclosure of interest in contracts

During the current and prior financial year, no contracts were entered into in which the directors and officers of the Group had an interest in and would significantly affect the business of the Group, except for approved contracts entered into with Uplink Technology Services Proprietary Limited (terminated 17 September 2019), Castlebridge Professional Services Limited (terminated 30 June 2019) and Resonance Australia Proprietary Limited (sold 17 September 2019), in which H Neishlos and E Neishlos had equity interests. The directors have no interest in any third party contract or Company responsible for managing any of the business activities of the Group.

Shareholders

Shareholders with a holding greater than 5% in the Company share capital, as at 31 March 2020, are as follows:

	% held	
Shareholder	2020	2019
Government Employees Pension Fund	25.44	21.44
H Neishlos	–	13.15
Capital Appreciation Empowerment Trust	5.73	4.82
B Sacks (Held in Centric Capital Ventures LLC)	5.41	4.56

Share Option Plan and Conditional Share Plan

Share Option Plan

During the current year, 8.5 million share options (2019: 21.5 million) were granted and 3.18 million share options (2019: 2.4 million) were forfeited under the Capital Appreciation Limited Share Option Scheme, bringing the total allocated share options to 37.4 million (2019: 32.1 Million).

Conditional Share Plan

During the current year, 15.4 million conditional share awards were granted under the Capital Appreciation Limited Conditional Share Plan (2019: Nil).

Post-year-end events

COVID-19

The Group believes COVID-19 is a “non-adjusting event” and that circumstances arising from COVID-19 have had little negative impact on the results at 31 March 2020. The Group has successfully implemented the processes and procedures for business continuity in a COVID-19 trading environment, as required by Regulation. The Group has not experienced any material operating and servicing disruptions or any material deterioration in trading performance for the period from the financial year-end, dated 31 March 2020, to the date of this report.

The significant estimates, judgements and assumptions made in preparing the Group’s results have remained constant at this stage, despite the pandemic. The Group is currently not exposed to credit risk and at the time of reporting, no significant change in this credit risk position has been noted. Management will, however, continue to actively monitor this. At this stage, no significant impairments of the company’s assets are expected to arise. Further assessment of this will be conducted as the new financial year unfolds. There has been no significant negative impact on the net realisable value of inventory as a result of the crisis. To date, the Group has not had to seek relief from the government or other suppliers as a result of COVID-19.

Going concern

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

Year-end

The Group’s year-end is 31 March.

Date of issue of Group Annual Financial Statements

The audited group annual financial statements were approved by the Board of Directors on 29 June 2020.

Auditors

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

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 2020

Figures in Rand	Notes	2020	2019
ASSETS			
Property, plant and equipment	3	**28 837 522**	21 737 333
Intangible assets	4	**61 871 264**	62 258 622
Right-of-use-assets	5	**24 432 732**	–
Goodwill	6	**728 577 776**	728 577 776
Other financial assets	7	**–**	19 011 040
Investment in associates	8	**3**	26 360 129
Deferred tax	9	**7 424 273**	5 141 435
Non-current assets		**851 143 570**	863 086 335
Inventories	10	**8 139 550**	16 167 245
Trade and other receivables	11	**81 098 470**	44 367 518
Loan to associate	12	**1 455 755**	5 179 241
Taxation receivable		**870 232**	4 588 251
Cash and cash equivalents	13	**505 120 733**	611 227 490
Current assets		**596 684 740**	681 529 745
Total assets		**1 447 828 310**	1 544 616 080
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	**976 599 834**	1 204 657 490
Share-based payment reserve	15	**2 888 900**	1 172 400
Contingent consideration reserve	16	**24 900 000**	24 900 000
Retained income		**304 628 128**	216 385 606
Total equity		**1 309 016 862**	1 447 115 496
Lease liability		**19 555 481**	–
Deferred revenue	17	**8 733 281**	9 154 167
Contingent consideration	16	**–**	9 271 591
Deferred tax	18	**12 501 907**	16 216 947
Non-current liabilities		**40 790 669**	34 642 705
Contingent consideration	16	**10 000 000**	–
Trade and other payables	19	**68 725 182**	53 356 931
Bank overdraft	13	**–**	2 434 271
Lease liability		**7 600 898**	1 182 800
Deferred revenue	17	**5 153 168**	1 850 000
Taxation payable		**6 541 531**	4 033 877
Current liabilities		**98 020 779**	62 857 879
Total equity and liabilities		**1 447 828 310**	1 544 616 080

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

Figures in Rand	Notes	2020	2019
Revenue	20	701 229 816	607 723 023
Cost of sales		(368 995 723)	(309 255 706)
Gross profit		332 234 093	298 467 317
Other income	21	17 077 378	2 677 709
Operating expenses		(143 183 220)	(127 992 347)
Trading profit		206 128 251	173 152 679
Share-based payment expense		(1 716 500)	(921 900)
Depreciation: property, plant and equipment		(9 809 931)	(8 461 766)
Depreciation: right-of-use assets		(7 967 757)	–
Amortisation of intangibles	4	(16 645 033)	(13 983 722)
Acquisition costs		–	(415 451)
Transformation costs		(8 031 419)	(10 824 574)
Operating profit	22	161 957 611	138 545 266
Finance income	23	38 724 301	38 280 325
Finance charges	24	(728 400)	(601 735)
Finance charges: lease liabilities	24	(2 304 874)	–
Equity accounted loss in associate	8	(346 092)	(2 428 181)
Gain on sale of investment in associate	8	8 664 739	–
Profit before taxation		205 967 285	173 795 675
Taxation	25	(56 134 856)	(49 182 821)
Profit after taxation		149 832 429	"124 612 854
Other comprehensive income"		–	–
Total comprehensive income for the year		149 832 429	124 612 854
Basic earnings per share (cents)	32	11.24	8.33

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

Figures in Rand	Ordinary share capital	Share-based payment reserve	Contingent consideration reserve	Retained income	Total equity
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 dividends 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
Repurchase of cancelled ordinary shares	(192 726 496)	–	–	–	(192 726 496)
Costs associated with repurchase of cancelled ordinary shares	(1 444 894)	–	–	–	(1 444 894)
Costs associated with circular	–	–	–	(1 585 001)	(1 585 001)
Share-based payment reserve	–	1 716 500	–	–	1 716 500
Purchase of treasury shares	(33 886 266)	–	–	–	(33 886 266)
Cash dividends paid	–	–	–	(57 826 981)	(57 826 981)
Settlement of pre-acquisition tax receivable	–	–	–	(2 177 925)	(2 177 925)
Total comprehensive income for the year ended 31 March 2020	–	–	–	149 832 429	149 832 429
Balance at 31 March 2020	976 599 834	2 888 900	24 900 000	304 628 128	1 309 016 862

GROUP STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020

Figures in Rand	Notes	2020	2019
Cash flow from operations	26	206 086 120	212 698 073
Finance income received		38 076 116	36 896 736
Finance costs paid		(2 304 874)	(19 763)
Dividends paid		(57 826 981)	(63 583 229)
Taxation refund received		–	309 425
Taxation paid		(57 852 251)	(62 276 347)
Net cash flow from operating activities		126 178 130	124 024 895
Cash flows from investing activities			
Acquisition of property, plant and equipment	3	(17 756 411)	(16 532 856)
Proceeds on disposal of property, plant and equipment		545 894	1 467 511
Acquisition of intangible assets		(10 202 051)	(910 259)
Capitalisation of intangible assets		(6 055 624)	(3 879 621)
Repayment of loan from associate	12	5 021 341	–
Proceeds from disposal of associate		34 978 659	–
Costs associated with sale of associate		(299 882)	–
Costs associated with circular		(1 585 001)	–
Net cash flow from investing activities		4 646 925	(19 855 225)
Cash flows from financing activities			
Repayment of lease liability		(6 426 912)	–
Loan to associate	12	(1 455 755)	–
Repayment of financial liabilities		–	(2 989 613)
Repurchase of 245 000 000 cancelled ordinary shares		(192 726 496)	–
Costs associated with repurchase of 245 000 000 cancelled ordinary shares		(1 444 894)	–
Purchase of 45 144 351 treasury shares (2019: 8 022 000)		(33 890 387)	(7 123 610)
Net cash flow from financing activities		(235 944 444)	(10 113 223)
Net increase/(decrease) in cash and cash equivalents		(105 119 389)	94 056 447
Cash and cash equivalents at beginning of year		608 793 219	513 169 862
Net foreign exchange difference		1 446 903	1 566 910
Cash and cash equivalents at end of year	13	505 120 733	608 793 219
Bank balances, call and notice deposits		505 120 733	611 227 490
Bank overdraft		–	(2 434 271)
		505 120 733	608 793 219

GROUP SEGMENT ANALYSIS

FOR THE YEAR ENDED 31 MARCH 2020

Figures in Rand	Payments and Payment Infrastructure 2020	2019
Revenue*	506 182 723	469 894 711
Trading profit/(loss)	168 241 527	143 146 336
Depreciation: property, plant and equipment	(7 674 393)	(7 076 723)
Depreciation: Right-of-use assets	(5 143 008)	–
Amortisation of intangibles	(1 785 652)	(297 278)
Operating profit/(loss)	147 160 656	127 904 602
Net finance income	14 514 337	11 646 234
Finance charges: lease liabilities	(1 434 998)	–
Equity accounted loss in associate	–	–
Gain on sale of investment in associate	–	–
Profit/(loss) after taxation	115 270 025	98 153 418
Total assets	289 215 497	184 766 329
Total liabilities	70 990 456	43 078 718
Net assets	218 225 041	141 687 611
Geographical information		
Revenue		
South Africa	506 182 723	469 894 711
Rest of Africa and Indian Ocean Islands	–	–
United States of America	–	–
	506 182 723	469 894 711
Assets		
South Africa	289 215 497	184 766 329
Australia	–	–
Total	289 215 497	184 766 329
Liabilities		
South Africa	70 990 456	43 078 718
Australia	–	–
Total	70 990 456	43 078 718
Net assets	218 225 041	141 687 611

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

For management purposes, the Group is organised into business units based on its products and services and has two reportable segments, as follows:

The Payment division, which generates revenue from the sale of terminals, the rental of terminals, maintenance and service fees from terminals, transaction-related revenue from terminals and sundry terminal-related revenue.

The Software and Services division, which generates revenue from services and consultancy fees, licence and subscription fees and sale of computer hardware.

The Payments division is an aggregation of African Resonance and Dashpay as they both generate revenue from similar types of transactions.

The revenues generated from transactions between operating segments has been disclosed in note 29.

No reliance is placed on one major customer.

Software and Services		Corporate		Group	
2020	**2019**	**2020**	**2019**	**2020**	**2019**
195 047 093	137 828 312	–	–	701 229 816	607 723 023
56 843 765	47 160 530	(18 957 041)	(17 154 187)	206 128 251	173 152 679
(1 596 583)	(851 215)	(538 955)	(533 828)	(9 809 931)	(8 461 766)
(1 731 040)	–	(1 093 709)	–	(7 967 757)	–
(1 591 381)	(418 444)	(13 268 000)	(13 268 000)	(16 645 033)	(13 983 722)
48 875 561	42 066 924	(34 078 606)	(31 426 260)	161 957 611	138 545 266
1 646 546	1 318 630	21 835 018	24 713 726	37 995 901	37 678 590
(564 765)	–	(305 111)	–	(2 304 874)	–
–	–	(346 092)	(2 428 181)	(346 092)	(2 428 181)
–	–	8 664 739	–	8 664 739	–
36 861 797	32 737 091	(2 299 393)	(6 277 655)	149 832 429	124 612 854
90 249 406	63 137 764	1 068 363 407	1 296 711 987	1 447 828 310	1 544 616 080
34 800 481	23 819 661	33 020 511	30 602 205	138 811 448	97 500 584
55 448 925	39 318 103	1 035 342 896	1 266 109 782	1 309 016 862	1 447 115 496
173 732 626	124 329 656	–	–	679 915 349	594 224 367
14 341 084	13 498 656	–	–	14 341 084	13 498 656
6 973 383		–	–	6 973 383	–
195 047 093	137 828 312	–	–	701 229 816	607 723 023
90 249 406	63 137 764	1 068 363 407	1 265 172 617	1 447 828 310	1 513 076 710
–	–	–	31 539 370	–	31 539 370
90 249 406	63 137 764	1 068 363 407	1 296 711 987	1 447 828 310	1 544 616 080
34 800 481	23 819 661	33 020 511	30 602 205	138 811 448	97 500 584
–	–	–	–	–	–
34 800 481	23 819 661	33 020 511	30 602 205	138 811 448	97 500 584
55 448 925	39 318 103	1 035 342 896	1 266 109 782	1 309 016 862	1 447 115 496

ACCOUNTING POLICIES

1. PRESENTATION OF FINANCIAL STATEMENTS

The group annual financial statements for the year ended 31 March 2020 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's 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 Executive, B Kruger CA(SA).

Basis of consolidation

The group annual financial statements comprise the financial statements of the Group and its subsidiaries as at 31 March 2020. 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 annual 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 annual financial statements, management is, from time to time, required to make certain estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is used in the formation of estimates. Actual results in the future could differ from these estimates, which may be material to the group annual financial statements.

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 Cash Generating Unit's ("CGU") 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 recorded 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 9 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.

1. PRESENTATION OF FINANCIAL STATEMENTS CONTINUED

1.2 Property, plant and equipment continued

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, with no residual.

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 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 reassesses 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 reassessment 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.

1. PRESENTATION OF FINANCIAL STATEMENTS CONTINUED

1.6 Investment in associates continued

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.

1.7 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 33 Financial instruments and risk management presents the financial instruments held by the Group based on their specific classifications.

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 7), 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 11).

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. 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 estimated credit losses.

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

Interest income, calculated on the effective interest method, is included in the Statement of Comprehensive Income (note 23).

Borrowings and loans to 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 asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points 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 asset, or (where appropriate) a shorter period, to the amortised cost of a financial asset.

Borrowings expose the Group to liquidity risk and interest rate risk. Refer to note 33 for the details of the risk exposure and management thereof.

Trade and other payables

Classification

Trade and other payables (note 19), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

1. PRESENTATION OF FINANCIAL STATEMENTS CONTINUED

1.7 Financial instruments continued

Recognition and measurement

Trade and other payables 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 the 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 33 for the details of the 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 for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid, in respect of current and prior periods, exceeds the amount due for those periods, the excess is recognised as an asset.

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

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in 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 Leases

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a term of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease, unless this is not readily determinable, in which case, the company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the company, if it is reasonably certain to assess that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of the termination option being exercised.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When the company revises its estimate of the term of any lease, it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases, an equivalent adjustment is made to the carrying value of the right-of use asset, with the revised carrying amount being amortised over the remaining lease term.

When the company renegotiates the contractual terms of a lease with the lessor, the accounting depends on the nature of the modification:

- if the renegotiation results in one or more additional assets being leased for an amount commensurate with a standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- in all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount; and
- if the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease, with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

Leases (Comparatives under IAS 17)

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases – lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in profit or loss.

1. PRESENTATION OF FINANCIAL STATEMENTS CONTINUED

1.9 Leases continued

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.10 Inventories

Inventories are stated at the lower of cost and estimated net realisable value in the ordinary course of business, on the first-in-first-out basis. The estimated net realisable value is the estimated selling price in the ordinary course of business.

1.11 Share capital and equity

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

1.12 Treasury shares

Shares in the company, held by its subsidiary, CAPPREC Management Services Proprietary Limited, are classified in the Group's shareholder interest as treasury shares. These treasury shares are treated as a deduction from the issued and weighted average number of shares. The cost price of the treasury shares is presented as a deduction from total equity. Distributions received on treasury shares are eliminated on consolidation.

1.13 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits is 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 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

Share incentive scheme

In terms of the Group's share incentive scheme, employees of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions).

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

The cost of equity-settled transactions is recognised in the 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 15).

Conditional share plan

In terms of the Group's conditional share plan scheme, a conditional right to a share is awarded to executive directors and senior management, subject to performance and vesting conditions. The fair value of services received in return for the conditional share awards has been determined by multiplying the number of conditional share awards expected to vest, by the share price of the award less discounted anticipated future distribution flows.

1.14 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 the 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.

1.15 Revenue

Revenue recognition

The Group has no material revenue contracts for which they have contracted, but not satisfied the performance obligation.

There is no material or significant financing component to Group revenue and contracts with customers do not include material amounts of variable consideration.

Due to the standard nature of the Group's contracts with customers, there were no significant area's of judgement required to be applied by the Group.

The Group has no complex agent/principal arrangements.

The segmental revenue analysis presents the nature and amount of Group revenue streams and therefore, fulfils the disaggregation disclosure requirement of IFRS 15.

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.

1. PRESENTATION OF FINANCIAL STATEMENTS CONTINUED

1.15 Revenue continued

Payments and Payment Infrastructure division

Terminal rental income

The Group recognises revenue from terminal rental contracts with customers, on a month-to-month basis. The rental contractual period is approximately three years.

Maintenance and support service fees from terminals

The Group recognises revenue from maintenance and support service fees over time, using an input method of estimated monthly costs to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Group.

The performance obligation is to maintain and support the customer's terminals on a month-to-month basis.

Sale of terminals

Revenue from the sale of terminals is recognised at the point in time when control of the asset is transferred to the customer, i.e. on delivery of the terminals. The normal credit term is 30 to 90 days upon delivery. The Group does not make any promises in the contract of sale with customers, that are separate performance obligations to which a portion of the transaction price needs to be allocated.

Transaction related income from terminals

The Group recognises transaction related income from terminals when the transaction is completed.

Software and Services division

Service and consultancy fees

These contracts are time based and the revenue recognition is based on the actual time spent on the provision of the relevant services to the customer and is recognised over time.

The performance obligation is based on the time allocated and expended on the software and consultancy project as delivered to the customer. The fees are based on a technical labour resource's role and experience.

There is no contractual obligation to provide an output that is deliverable in nature other than labour hours expended per month to a customer.

Licence and subscription fees

Fees earned from licensing internally developed software, installed on the customer premises, is recognised at the point that the licence is granted to the customer. This licence is granted for a period of 12 months and gives the customer the right to use the software as it exists at that date.

Fees earned from subscriptions to internally developed software, that is hosted on the Group's infrastructure, is recognised over the period that the licence is granted. This subscription gives the customer the right to access the entity's software as it exists throughout the licence period.

The performance obligation is the delivery and access to the software licence granted in an executable format to the customer.

Hardware

Revenue from the sale of hardware is recognised at the point in time when control of the asset is transferred to the customer, i.e. when the hardware is delivered.

Determination of cost of sales

The cost of sales of imported terminals, spare parts and accessories is determined from the landed cost of these products in our warehouse.

The cost of sales for maintenance services on terminals within the Payments division, services and consultancy fees within the Software and Services division are determined from the cost of direct labour, other direct costs and include an appropriate portion of overheads, but excludes interest expenses.

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.

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.

1.16 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.

1.17 Foreign currencies

Transactions in foreign currencies are translated at the rates of exchange ruling at the transaction date. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the statement of financial position date. Translation differences are recognised in the income statement.

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 16 – Leases

IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

The Group has adopted the modified retrospective approach for the first time in the 2020 annual financial statements. Refer to note 5 for the impact.

IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments

IFRIC Interpretation 23 is effective for annual periods beginning on or after 1 January 2019.

The Group has adopted the amendment for the first time in the 2020 annual financial statements. The adoption of the amendment did not have any material impact on the Group.

Prepayment Features with Negative Compensation – Amendments to IFRS 9

The amendments to IFRS 9 are effective for annual periods beginning on or after 1 January 2019.

The Group has adopted the amendment for the first time in the 2020 annual financial statements. The adoption of the amendment did not have any impact on the Group.

Long-Term Interests in Associates and Joint Ventures – Amendments to IAS 28

The amendments to IAS 28 are effective for annual periods beginning on or after 1 January 2019.

The Group has adopted the amendment for the first time in the 2020 annual financial statements. The adoption of the amendment did not have any material impact on the Group.

2. NEW STANDARDS AND INTERPRETATIONS CONTINUED

2.2 Standards and interpretations not yet effective

Standard/amendment	Applied/effective	Impact
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.
Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7	1 Jan 2020	The Group is currently assessing the impact of IFRS 9, IAS 39 and IFRS 7 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.

3. PROPERTY, PLANT AND EQUIPMENT

	2020		
Figures in Rand	Cost	Accumulated depreciation	Carrying value
Office and IT equipment	14 431 924	(5 716 924)	8 715 000
Motor vehicles	208 915	(161 661)	47 254
Furniture and fixtures	2 154 544	(1 174 257)	980 287
Leasehold Improvements	3 734 379	(1 110 401)	2 623 978
Payment rental terminals	24 840 644	(8 369 641)	16 471 003
Total	45 370 406	(16 532 884)	28 837 522

	2020				
	Opening balance	Additions	Disposals	Depreciation	Carrying value
Reconciliation of property, plant and equipment					
Office and IT equipment	4 866 232	6 832 141	(51 722)	(2 931 651)	8 715 000
Motor vehicles	102 681	–	–	(55 427)	47 254
Furniture and fixtures	1 310 159	474 614	–	(804 486)	980 287
Leasehold Improvements	3 251 058	111 813	–	(738 893)	2 623 978
Payment rental terminals	12 207 203	10 337 843	(794 569)	(5 279 474)	16 471 003
Total	21 737 333	17 756 411	(846 291)	(9 809 931)	28 837 522

		2019	
Figures in Rand	Cost	Accumulated depreciation	Carrying value
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 rental terminals	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 rental terminals	10 602 593	8 716 957	(1 512 552)	(5 599 795)	12 207 203
Total	**15 275 684**	**16 532 855**	**(1 609 440)**	**(8 461 766)**	**21 737 333**

4. INTANGIBLE ASSETS

Figures in Rand	2020 Cost	2020 Accumulated depreciation	2020 Carrying value
Computer software	21 497 177	(4 335 526)	17 161 651
Customer web portal	86 217	(26 271)	59 946
Intangible asset recognised on acquisition of businesses	83 348 000	(38 698 333)	44 649 667
Customer relationships	67 818 000	(29 117 083)	38 700 917
Computer software	15 530 000	(9 581 250)	5 948 750
Total	104 931 394	(43 060 130)	61 871 264

	2020 Opening balance	2020 Additions	2020 Amortisation	2020 Carrying value
Reconciliation of intangible assets				
Computer software	4 335 966	16 197 675	(3 371 990)	17 161 651
Customer web portal	4 989	60 000	(5 043)	59 946
Intangible asset recognised on acquisition of businesses	57 917 667	–	(13 268 000)	44 649 667
Customer relationships	48 683 917	–	(9 983 000)	38 700 917
Computer software	9 233 750	–	(3 285 000)	5 948 750
Total	62 258 622	16 257 675	(16 645 033)	61 871 264

Figures in Rand	2019 Cost	2019 Accumulated depreciation	2019 Carrying value
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
Total	71 452 462	4 789 882	(13 983 722)	62 258 622

5. RIGHT-OF-USE ASSETS AND LIABILITIES

	2020			
Figures in Rand	Opening balance	Adoption	Depreciation	Carrying value
Rental of office premises	–	32 400 489	(7 967 757)	24 432 732

IFRS 16 supersedes the previous standards relating to the accounting treatment of leases (IAS 17 Leases and IFRIC 4 Determining whether an Arrangement contains a Lease). The Group has adopted IFRS 16 using the modified retrospective approach, with the date of initial application being 1 April 2019.

The nature of the lessee's leasing activities is the rental of office premises only.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a term of 12 months or less.

The lessee's weighted average incremental borrowing rate of 7.625% was applied to lease liabilities recognised in the Statement of Financial Position at the date of initial application.

The following practical expedients have been applied:

(a) Lease liabilities previously recognised as an operating lease have been recognised at the present value of the remaining lease payments using the incremental borrowing rate at the date of initial application; and

(b) Leases previously recognised as an operating lease have been recognised as an amount equal to the lease liability, adjusted for the accrued lease payments recognised in the statement of financial position immediately before the date of initial application.

No other practical expedients have been applied.

The Group's adoption of IFRS 16 in the period and the application of which has had an immaterial impact on the Group's net profit after tax.

There are no material reconciling items between the operating lease commitments disclosed applying IAS 17 at the end of the prior year, discounted using the incremental borrowing rate at the date of initial application, and the lease liability recognised in the statement of financial position at the date of initial application.

The lessee has no exposure to variable lease payments, extension options and termination options, residual value guarantees, leases not yet commenced to which the lessee has committed and restrictions and covenants imposed by leases.

On adoption of IFRS 16 on 1 April 2019, the Group recognised a right-of-use asset to the value of R32 400 489 (the derecognition of the previous operating lease straight-line liabilities of R1 182 800 was offset against the right-of-use assets) and a lease liability of R33 583 289. There was no impact to equity on initial application. No deferred tax asset has been raised on adoption as per par 15(b) of IAS 12.

Transition to IFRS 16 – The impact on the adoption of IFRS 16 is as follows:

Figures in Rand	2020
Assets	
Property, plant and equipment: Right-of-use asset	32 400 489
Liabilities	
Lease liability	33 583 289
Operating lease liability	(1 182 800)
	32 400 489

6. GOODWILL

Figures in Rand	2020	2019
Carrying amount	728 577 776	728 577 776
Movement in goodwill		
Carrying value at the beginning of the year	728 577 776	728 577 776
Goodwill and intangible assets arising on acquisition of businesses	–	–
Intangible asset allocation	–	–
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 20.8% (2019: 21.8%) for the Payments and Payment Infrastructure business and 22.7% (2019: 21.8%) for the Software and Services business. Cash flows and trading forecasts have been projected for a period of five years.

The Payment and Payment Infrastructure business has forecasted compounded revenue growth of 14.4% over the next five-year period. Trading and operating margins have been assumed to remain consistent with the 2020 financial year results.

The Software and Services business has forecasted compounded revenue growth of 18.47% over the next five-year period. Trading and operating margins have been assumed to remain consistent with the 2020 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, 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 Proprietary Limited (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

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

Cash: R10 000 000 at present value	8 163 000
Shares: 30 million ordinary shares at 83 cents per share, being the share price at the date of acquisition	24 900 000
Total	33 063 000

The Synthesis profit warranty consideration of R33 063 000 was included as part of the purchase consideration at the date of acquisition.

Synthesis achieved the profit warranty at 31 March 2020. The Synthesis shareholders will receive R10 million cash and an allotment of 30 million ordinary shares once the group annual financial statements are signed.

7. OTHER FINANCIAL ASSETS

Figures in Rand	2020	2019
Long-term receivable	–	19 011 040

This loan was repaid on 17 September 2019, in terms of the share repurchase and small related party transaction.

8. INVESTMENT IN ASSOCIATES

Figures in Rand	2020	2019
Unlisted investments		
8.1 Resonance Australia Proprietary Limited		
17 580 shares at cost	29 746 521	29 746 521
Share of loss of associate	(3 732 484)	(3 386 392)
Sale of associate	(26 014 037)	–
Closing balance	–	26 360 129
Reconciliation		
Opening balance	26 360 129	28 788 310
Share of equity accounted loss in associate to date of sale	(346 092)	(2 428 181)
Related costs	299 883	–
Proceeds on disposal	(34 978 659)	–
	(8 664 739)	–
Capital profit on disposal of associate	8 664 739	–
Closing balance	–	26 360 129

During the year, the Group sold its 17.45% interest in Resonance Australia Proprietary Limited and its claims on the loan account, for an aggregate amount of R40 million, which was settled on 17 September 2019.

Summarised financial information of associate for the period 1 April 2019 to 9 June 2019 (date of sale)

	1 April 2019 – 9 June 2019	2019
Income statement		
Revenue	1 598	–
Loss before and after taxation	(1 984 462)	(13 862 309)
Balance sheet		
Assets		
Non-current assets		
Property, plant and equipment	6 277 841	6 532 156
Current assets		
Sundry receivables	37 886	25 589
Cash and cash equivalents	12 680 070	15 292 013
Total assets	18 995 797	21 849 758
Equity and liabilities		
Capital and reserves	3 268 294	5 614 706
Shareholders' loans	15 030 000	15 540 000
Current liabilities		
Trade and other payables	697 503	695 052
Total equity and liabilities	18 995 797	21 849 758

8.2 Proximity ID Proprietary Limited

69 shares at cost	460 000	460 000
Provision for impairment	(459 999)	(459 999)
Carrying and fair value	1	1

Synthesis has 0.05% (2019: 23%) of the share capital of Proximity ID Proprietary Limited. The ownership interest in Proximity ID Proprietary Limited decreased due to a rights issue that was not followed by the company. The principal place of business is in Johannesburg, South Africa. The total investment in Proximity ID was impaired in the 2018 year.

8.3 Govchat Proprietary Limited

The Group acquired a 35% interest in Govchat (Proprietary) Limited on 21 May 2019. Govchat operates a technology platform that connects people to Government and Government to people. The principal business is in Cape Town and the company is incorporated in South Africa.

Figures in Rand	2020	2019
54 shares at cost	1	–
Carrying and fair value	1	–

8. INVESTMENT IN ASSOCIATES CONTINUED

8.3 Govchat Proprietary Limited continued

Figures in Rand	2020	2019
Summarised financial information of associate		
Income statement		
Revenue	2 200 000	–
Loss before and after taxation	(2 974 125)	–
Balance sheet		
Assets		
Non-current assets		
Property, plant and equipment	1 701 265	–
Intangible assets	6 268 170	–
Current assets		
Sundry receivables	2 336 295	–
Cash and cash equivalents	63 653	–
Total assets	10 369 383	–
Equity and liabilities		
Accumulated Loss	(11 925 190)	–
Subordinated loans	15 652 755	–
Current liabilities		
Trade and other payables	6 641 818	–
Total equity and liabilities	10 369 383	–

8.4 GroEx Proprietary Limited

Synthesis acquired a 15% interest in GroEx Proprietary Limited, a subsidiary of Afgri Group Holdings Limited. GroEx provides digital services to the agricultural sector and provides financial services to commercial farmers and allied entities in the agricultural sector. The principal place of business is in Centurion and the company is incorporated in South Africa. GroEx is accounted for as an associate because M. Shapiro is a non-exeutive director of GroEx, which enables him to exercise significant influence.

Figures in Rand	2020	2019
18 Shares at cost	1	–
Carrying and fair value	1	–
Summarised financial information of associate		
Income statement		
Revenue	361 686	–
Loss before and after taxation	(3 113 737)	–
Balance sheet		
Assets		
Non-current assets		
Property, plant and equipment	83 754	–
Right-of-use-asset	3 419 132	–
Intangible assets	1 863 200	–
Current assets		
Sundry receivables	615 494	–
Cash and cash equivalents	92 625	–
Total assets	6 074 205	–
Equity and liabilities		
Accumulated Loss	(3 629 058)	–
Holding company loan	4 840 065	–
Right-of-use-liability	3 598 411	–
Current liabilities		
Trade and other payables	1 264 787	–
Total equity and liabilities	6 074 205	–

9. DEFERRED TAX

Figures in Rand	2020	2019
Deferred tax asset		
Accelerated allowances for tax purposes	–	513 196
Timing differences	1 149 690	1 382 061
Deferred revenue	1 244 226	380 893
Recognition of deferred tax on assessable loss	5 030 357	2 865 285
	7 424 273	5 141 435
Reconciliation of deferred tax asset		
At beginning of period	5 141 435	2 643 528
Accelerated allowances for tax purposes on acquisition of businesses	(513 196)	248 377
Timing differences	(232 371)	1 382 061
Deferred revenue	863 333	(371 000)
Recognition of deferred tax on assessable loss	2 165 072	1 238 469
At end of period	7 424 273	5 141 435

Recognition of deferred tax asset

Deferred tax assets have been recognised in respect of temporary differences where there is a 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.

10. INVENTORIES

Figures in Rand	2020	2019
Prepaid airtime	2 314 888	128 088
Inventory – terminals	5 824 662	16 039 157
	8 139 550	16 167 245

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. There has been no impairment for obsolete inventory.

11. TRADE AND OTHER RECEIVABLES

Figures in Rand	2020	2019
Trade and other receivables	59 201 467	36 945 405
Foreign exchange contract assets	14 578 962	–
Staff loans	129 139	274 493
Deposits	1 204 372	931 276
B-BBEE enterprise development loan	2 458 000	–
VAT receivable	2 731 996	1 633 585
Prepayments	794 534	4 582 759
Total trade and other receivables	81 098 470	44 367 518

The enterprise development loan was made in accordance with the Group's transformation programme and spend in terms of the B-BBEE codes.

The repayment terms for trade and other receivables are between 30 and 60 days and are interest free. This is the same for staff loans.

Categorisation of trade and other receivables

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

Figures in Rand	2020	2019
At amortised cost	62 992 978	38 151 174
Fair value through profit and loss	14 578 962	–
Non-financial instruments	3 526 530	6 216 344
	81 098 470	44 367 518

Fair value of trade and other receivables

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

Estimated credit losses

There are no estimated credit losses.

Exposure to currency risk

The majority of trade and other receivables are denominated in South African Rand and therefore, have no exposure to foreign currency fluctuations.

The following net carrying amounts, in Rand, of trade and other receivables, which are exposed to foreign currency, have been presented in Rand by converting the foreign currency amount at the closing rate at the reporting date.

Figures in Rand	2020	2019
Carrying amount in US Dollars	214 296	122 469
Carrying amount in Rand	3 823 088	1 775 208

US Dollar converted at 1 USD = R17.84 (2019: 1 USD = R14.50)

12. LOAN TO ASSOCIATE

Figures in Rand	2020	2019
12.1 Resonance Australia Proprietary Limited		
Opening balance	5 179 242	4 512 392
Unrealised foreign exchange gain/(loss)	(157 900)	666 849
Loan repaid during the year	(5 021 342)	–
Closing balance	–	5 179 241
12.2 Govchat Proprietary Limited		
Opening balance	–	–
Loan granted during the year	1 455 755	–
Loan repaid during the year	–	–
Closing balance	1 455 755	–

During the year, an interest-free enterprise development loan was granted to Govchat Proprietary Limited and is repayable on demand. There are no estimated credit losses.

13. CASH AND CASH EQUIVALENTS

Figures in Rand	2020	2019
Cash and cash equivalents consist of:		
Bank balances	158 509 723	23 777 774
Bank call and notice deposits	346 611 010	587 449 716
Bank overdraft	–	(2 434 271)
	505 120 733	608 793 219
Current assets	505 120 733	611 227 490
Current liabilities	–	(2 434 271)
	505 120 733	608 793 219

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 amortised cost. 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.

14. SHARE CAPITAL

Figures in Rand	2020	2019
Ordinary shares of no par value	976 599 834	1 204 657 490

	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 in issue at beginning of the year	1 555 000 000	1 555 000 000
Ordinary shares of no par value repurchased and cancelled during the year	(245 000 000)	–
Ordinary shares of no par value in issue at end of year	1 310 000 000	1 555 000 000
Ordinary shares of no par value repurchased (treasury shares)	(108 786 351)	(63 642 000)
Ordinary shares of no par value, net of treasury shares at the end of the year	1 201 213 649	1 491 358 000
Reconciliation of movement of issued ordinary shares		
Ordinary shares, net of treasury shares at the beginning of the year	1 491 358 000	1 499 380 000
Ordinary shares of no par value repurchased and cancelled during the year	(245 000 000)	–
Ordinary shares of no par value repurchased during the year (treasury shares)	(45 144 351)	(8 022 000)
Number of issued ordinary shares, net of treasury shares at the end of the year	1 201 213 649	1 491 358 000

The costs associated with the repurchase of 245 000 000 cancelled ordinary shares amounted to R1 444 894.

15. SHARE-BASED PAYMENTS RESERVE

Figures in Rand — 2020 — 2019

The Group has two Incentive Schemes:

15.1 The Group's Share Incentive scheme ("Scheme"), which was introduced on the date the Company was listed in 2015, grants share 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.

15.2 Group's Conditional Share Plan ("CSP") was introduced during the year, and grants share awards to Executive directors and senior management of the Group. The CSP 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.

Figures in Rand	2020	2019
Group share incentive scheme	2 844 600	1 172 400
Group conditional share plan	44 300	–
Total share-based payment reserve	2 888 900	1 172 400

15. SHARE-BASED PAYMENTS RESERVE CONTINUED

15.1 Group's Share Incentive Scheme

	2020	
	Number	**Exercise price**
The number and fair value of the share options are:		
Beginning of the year	32 095 000	80 cents
Forfeited	(3 170 000)	80 cents
Granted	8 500 000	75 cents
End of the year	37 425 000	

These share options are exercisable over the period 1 September 2020 to 30 September 2024.

	2019	
	Number	**Exercise 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	

The Group recognised an expense of R1 672 200 (2019: R921 900) for the share options granted.

	Number	
Details of directors outstanding share options	**2020**	**2019**
M Shapiro (appointed 12 June 2019)	2 300 000	2 300 000

The terms and conditions of the share options are the following:

Vesting conditions

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; and
- 100% of the total number of instruments at the expiry of five years from date of holders acceptance of the option.

All options must be exercised no later than the 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)	26.00
2. Exercise price at end of period (cents)	80.00
3. Expected volatility (%)	26.66
4. Option life (years)	5.39
5. Distribution yield (%)	2.00
6. Risk-free rate (based on National Bond Curve) (%)	7.67

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

15.2 The Group's Conditional Share Plan

	2020	
	Number	**Exercise price**
The number and fair value of share awards are:		
Beginning of the year	–	
Granted	15 425 000	56.77 cents
End of the year	15 425 000	

These share awards are exercisable on 15 March 2023.

The Group recognised an expense of R44 300 (2019: Nil) for the share awards granted during the 2020 financial year.

The Conditional Share Plan was approved by the Board on 11 March 2020. Accordingly, there were no share awards in 2019.

	Number	
Details of directors outstanding conditional share plan awards	**2020**	**2019**
M Pimstein	3 600 000	–
B Sacks	3 600 000	–
A Salomon	3 600 000	–
M Shapiro	1 250 000	–
	12 050 000	–

Vesting conditions

The terms and conditions of the Conditional Share Plan is based on share awards, which have a three-year vesting period, subject to performance, employment and vesting conditions.

The performance metrics consist of financial objectives, non-financial objectives and key individual performance indicators, details of which will be disclosed in the Remuneration Report in the Group Integrated Annual Report.

All share awards will be exercised on the vesting date, being the third anniversary of the date upon which the share awards 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)	52.00
2. Exercise price at end of period (cents)	56.77
3. Expected volatility (%)	29.52
4. Option life (years)	3.00
5. Distribution yield (%)	5.00
6. Risk-free rate (based on National Bond Curve) (%)	7.34

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

16. CONTINGENT CONSIDERATION RESERVE

Figures in Rand	2020	2019
Cash	10 000 000	9 271 591
Shares	24 900 000	24 900 000
Total	34 900 000	34 171 591

The Synthesis profit warranty consideration of R33 063 000 was included as part of the purchase consideration at the date of acquisition (note 6).

Synthesis achieved the profit warranty at 31 March 2020. The Synthesis shareholders will receive R10 million cash and an allotment of 30 million ordinary shares once the group annual financial statements are signed.

17. DEFERRED REVENUE

Deferred income to be realised:

	Within one year	In second to fifth year	Later than five years	Total
2020	5 153 168	7 945 781	787 500	13 886 449
2019	1 850 000	7 400 000	1 754 167	11 004 167

Figures in Rand	2020	2019
Non-current liabilities	8 733 281	9 154 167
Current liabilities	5 153 168	1 850 000
	13 886 449	11 004 167

Deferred income arises from advanced payments from customers in respect of future professional services and licensed software and maintenance services. The amount of revenue recognised in the current year was R1 850 000 (2019: 1 325 000). In the following financial year, R5 153 168 will be recognised in revenue.

18. DEFERRED TAX

Figures in Rand	2020	2019
Deferred tax liability		
Opening balance	16 216 947	19 931 987
Amortisation of intangible assets	(3 715 040)	(3 715 040)
Closing balance	12 501 907	16 216 947

19. TRADE AND OTHER PAYABLES

	2020	2019
Trade payables and accruals	60 533 768	51 484 088
VAT	8 191 414	1 872 843
	68 725 182	53 356 931

Trade payables are non-interest bearing and are normally settled on 30 to 90-day terms.

20. REVENUE

Figures in Rand	2020	2019
Payments and payment infrastructure division		
Terminal rental income	32 535 153	79 289 046
Maintenance and support service fees from terminals	115 308 477	73 871 669
Sale of terminals	331 574 979	290 897 279
Transaction related income from terminals	21 203 078	15 059 982
Sundry revenue	5 561 036	10 776 735
	506 182 723	469 894 711
Software and Services division		
Services and consultancy fees	153 066 690	102 215 242
Licence and subscription fees	36 350 218	32 884 725
Hardware	5 630 185	2 728 345
	195 047 093	137 828 312
Total revenue	701 229 816	607 723 023

Disaggregation of revenue from contracts with customers

The Group disaggregates revenue from customers as follows:

Figures in Rand	2020	2019
Sale of goods		
Sale of terminals	331 574 979	290 897 279
Hardware	5 630 185	2 728 345
	337 205 164	293 625 624
Rendering of services		
Services and consultancy fees	153 066 690	102 215 242
Licence and subscription fees	36 350 218	32 884 725
Terminal rental income	32 535 153	79 289 046
Maintenance and support service fees from terminals	115 308 477	73 871 669
Transaction related income from terminals	21 203 078	15 059 982
Sundry revenue	5 561 036	10 776 735
	364 024 652	314 097 399
Total revenue	701 229 816	607 723 023

21. OTHER INCOME

Figures in Rand	2020	2019
Foreign exchange gains	16 888 294	2 672 433
Insurance claim	170 833	–
Bad debts recovered	18 251	5 276
	17 077 378	2 677 709

22. OPERATING PROFIT

Figures in Rand	2020	2019
The following items are included within operating profit:	161 957 611	138 545 266
Revenue		
Foreign exchange gain	16 888 294	2 672 433
Expenses		
Auditors costs	2 855 525	1 721 670
Audit fees	1 905 730	1 721 670
Other costs	949 795	–
Internal audit costs	646 286	1 018 760
Employee costs	159 152 687	122 155 223
Share-based payment expense	1 716 500	921 900
Depreciation of property, plant and equipment	9 809 931	8 461 766
Depreciation of right-of-use assets	7 967 763	–
Amortisation of intangible assets	16 645 033	13 983 722
Operating lease charge: Motor vehicles	–	78 536
Operating lease charge: Premises	–	11 695 586
Transformation costs	8 031 419	10 824 574
Legal fees	3 567 246	3 434 577
Directors' emoluments: Non-Executive Directors	3 740 801	6 623 333

23. FINANCE INCOME

Interest income		
Bank	38 076 106	36 798 041
Loans advanced	648 195	1 482 284
	38 724 301	38 280 325

24. FINANCE COSTS

Interest paid		
SARS	–	19 763
Present value of cash portion of the contingent consideration (note 16)	728 400	581 972
Lease liability	2 304 874	–
	3 033 274	601 735

25. TAXATION

Figures in Rand	2020	2019
Major components of the tax expense		
Current		
Local income tax current year	60 712 928	51 316 518
Deferred		
Capital gains tax on sale of associate	1 104 823	–
Originating and reversing temporary differences	(5 682 895)	(2 133 697)
South African normal tax	56 134 856	49 182 821
	%	**%**
Reconciliation of rate of taxation		
South African normal tax	28.0	28.0
Adjusted for:		
– Permanent differences*	(0.6)	0.3
– Timing differences	(0.1)	(0.1)
– Foreign withholding tax	(0.1)	0.1
Effective tax rate	27.2	28.3

** Permanent differences are mainly due to the Capital Gains tax on the sale of the associate*

26. CASH FLOW FROM OPERATIONS

Figures in Rand	2020	2019
Cash flows from operating activities		
Profit before taxation	205 967 285	173 795 675
Adjustments for:		
Depreciation	17 777 688	8 461 766
Amortisation	16 645 033	13 983 722
Finance income	(38 724 301)	(38 280 325)
Finance costs	3 033 274	601 735
Share of loss of associate	346 092	2 428 181
Share-based payment expense	1 716 500	921 900
Unrealised foreign exchange (gain)	(14 771 039)	(2 233 759)
Realised foreign exchange (gain)	(1 096 926)	–
Profit on disposal of associate	(8 664 739)	–
Movement in operating lease smoothing accrual	–	1 182 800
Profit on disposal of assets	300 396	138 223
Changes in working capital		
Inventory	8 027 695	5 152 863
Trade and other receivables	(19 589 045)	23 667 009
Other financial assets	16 548 288	–
Trade and other payables	15 920 028	20 265 783
Deferred revenue	2 882 282	2 612 500
Taxation receivable	(232 391)	–
	206 086 120	212 698 073

27. CONTINGENT LIABILITIES

The Group has no contingent liabilities at year-end.

28. POST-RETIREMENT OBLIGATIONS

The Group provides no retirement benefits to its permanent employees and therefore, has no post-retirement obligations.

29. RELATED PARTIES

29.1 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.

29.2 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 pays the bank charges and audit fees on behalf of the Trust, CAET Holdings Proprietary Limited and Albanta Trading 1010 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		2020	2019
The Trust	Trade and other receivables	151 733	108 312
CAET Holdings Proprietary Limited	Trade and other receivables	209 390	153 853
Albanta Trading 101 Proprietary Limited	Trade and other receivables	592 715	535 807

These amounts do not bear interest and are repayable on demand. These receivables will be settled in full by 31 July 2020.

29.3 Given the 25.4% shareholding by the Government Employees Pension Fund in the Group, 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.

Relationships

		Effective Holding	
Holding Company	Capital Appreciation Limited	**2020**	**2019**
Subsidiaries	African Resonance Business Solutions Proprietary Limited	100.0%	100.0%
	Rinwell Proprietary Limited	100.0%	100.0%
	Dashpay Proprietary Limited	100.0%	100.0%
	Synthesis Software Technologies Proprietary Limited	100.0%	100.0%
	CAPPREC Management Services Proprietary Limited	100.0%	100.0%
Associates	Resonance Australia Proprietary Limited (sold 17 September 2019)	–	17.5%
	Proximity ID Proprietary Limited	0.1%	23.0%
	Govchat Proprietary Limited	35.0%	–
	GroEx Proprietary Limited	15.0%	–

Directors and prescribed officers	**Directors:** M Sacks B Sacks M Pimstein A Salomon M Shapiro E Neishlos (resigned 17 September 2019) H Neishlos (resigned 17 September 2019) B Bulo D Dlamini M Kahn E Kruger M Mokoka (resigned 6 April 2019) R Morar M Sacks V Sekese C Valkin **Prescribed officers:** B Sacks M Pimstein A Salomon M Shapiro

Relationships

Companies with common directors	HN Terminal Systems CC (terminated 28 February 2019)
	Uplink Technology Services Proprietary Limited (terminated 17 September 2019)
	Skunkworx Proprietary Limited (terminated 28 February 2019)
	Castlebridge Professional Services Limited (terminated 30 June 2019)

29. RELATED PARTIES CONTINUED

Figures in Rand	2020	2019
Loans to Associates		
Resonance Australia Proprietary Limited	–	5 179 241
Govchat Proprietary Limited	1 455 755	–
Loans from		
African Resonance to H Neishlos (pre-acquisition contractual agreement)	–	19 011 040
Related party transactions		
Revenue received by African Resonance from Dashpay	11 159 487	8 247 949
Reimbursement of expenses by Dashpay to African Resonance	11 006 865	–
Interest received by African Resonance from H Neishlos	648 195	1 383 588
Interest received by African Resonance from Capital Appreciation Limited	10 257 497	1 996 658
Interest received by Dashpay from Capital Appreciation Limited	92 721	86 459
Interest received by Synthesis from Capital Appreciation Limited	382 135	80 709
Enterprise Development Loan by Synthesis to K2017220477 (South Africa) NPC*	2 458 000	490 000
Revenue received by Synthesis from Govchat Proprietary Limited	6 183 210	–
Revenue received by Capital Appreciation Limited from Synthesis	3 000	–
Revenue received by Capprec Management Services from Synthesis	5 049	–
Administration fees and costs paid to related parties		
African Resonance to Capital Appreciation Limited	1 800 000	1 800 000
African Resonance to HN Terminal Systems CC	–	10 330 131
African Resonance to Uplink Technology Services Pty Limited	7 406 831	11 940 601
African Resonance to Skunkworx Proprietary Ltd	–	418 456
African Resonance consultancy fees to Castlebridge Professional Services Limited	904 463	3 530 600
Synthesis to Capital Appreciation Limited	–	1 050 000
Synthesis to CAPPREC Management Services Pty Limited	1 800 000	750 000
Capital Appreciation Limited to CAPPREC Management Services Pty Limited	1 800 000	1 080 000
Capital Appreciation Limited to Centric Capital Venture LLC	4 331 575	733 952
Directors' fees	1 240 000	1 440 000

**K2017220477 (South Africa) NPC is regarded as a related party because M. Shapiro is a non-executive director of the company, which enables him to exercise significant influence.*

30. DIRECTORS' EMOLUMENTS

Executive directors

	Salary		Fees		Total	
	2020	2019	2020	2019	2020	2019
Executive Directors						
M Pimstein	1 800 000	–	–	–	1 800 000	–
B Sacks	1 800 000	–	–	–	1 800 000	–
A Salomon	1 800 000	–	–	–	1 800 000	–
M Shapiro*	3 800 463	–	–	–	3 800 463	–
Total	9 200 463	–	–	–	9 200 463	–

** M Shapiro was appointed as a director on 12 June 2019. His remuneration for the year ended 31 March 2020 was R3 800 463 (2019: R3 331 647).*

Directors receive no fringe benefits from the Group.

Directors have long-term incentives which are reflected in note 15.

No directors have employment terms that exceed three months' notice. The Group is not under any obligation to make exit payments for directors leaving the Group.

	Salary		Fees		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**
Non-Executive Directors						
B Bulo	–	–	210 000	230 000	210 000	230 000
D Dlamini	–	–	80 000	130 000	80 000	130 000
M Kahn	–	–	120 000	140 000	120 000	140 000
E Kruger	–	–	120 000	130 000	120 000	130 000
M Mokoka (resigned 6 April 2019)	–	–	–	150 000	–	150 000
R Morar	–	–	120 000	90 000	120 000	90 000
E Neishlos (resigned 17 September 2019)	–	–	40 000	105 000	40 000	105 000
H Neishlos (paid by African Resonance) (resigned 17 September 2019)	2 500 801	5 183 333	40 000	90 000	2 540 801	5 273 333
M Sacks	–	–	150 000	–	150 000	–
V Sekese	–	–	240 000	205 000	240 000	205 000
C Valkin	–	–	120 000	170 000	120 000	170 000
Total	2 500 801	5 183 333	1 240 000	1 440 000	3 740 801	6 623 333

DIRECTORS' LONG-TERM INCENTIVES

Figures in Rand	**2020**	**2019**
Share-based payment expense		
M Pimstein	10 339	–
B Sacks	10 339	–
A Salomon	10 339	–
M Shapiro	106 357	66 065
	137 374	66 065

Number	**Opening balance 1 April 2019**	**New awards**	**Closing balance 31 March 2020**
Details of directors' outstanding share options			
M Shapiro (appointed 12 June 2019)	2 300 000	–	2 300 000
Details of directors' outstanding conditional share plan awards			
M Pimstein	–	3 600 000	3 600 000
B Sacks	–	3 600 000	3 600 000
A Salomon	–	3 600 000	3 600 000
M Shapiro	–	1 250 000	1 250 000
	–	12 050 000	12 050 000

31. DIRECTORS' SHAREHOLDING

The individual interests declared by the directors and officers held in the Group share capital as at 31 March 2020, are as follows:

	2020	2019
Beneficial directors	**Number of ordinary shares**	**Number of ordinary shares**
M Kahn	3 600 000	3 600 000
R Morar	100 000	100 000
E Neishlos	–	15 000 000
H Neishlos	–	204 500 000
M Pimstein	60 429 792	59 003 542
B Sacks*	70 833 333	70 833 333
M Sacks	45 500 000	44 073 750
A Salomon	57 263 776	56 903 542
M Shapiro**	19 175 000	–
C Valkin	250 000	250 000
Total	**257 151 901**	454 264 167

* *Held through Centric Capital Ventures LLC*
** *M Shapiro was appointed as a director on 12 June 2019. His shareholding at 31 March 2020 was 19 175 000 (2019:19 175 000)*

32. EARNINGS PER SHARE

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

Figures in Rand	2020	2019
Profit for the year attributable to ordinary shareholders	149 832 429	124 612 854
Gain on sale of investment in associate	(8 664 739)	–
Capital gains tax on sale of investment in associate	1 104 823	–
Headline earnings	**142 272 513**	124 612 854
	Number	**Number**
Number of ordinary shares in issue	1 310 000 000	1 555 000 000
Weighted average number of ordinary shares in issue	1 333 003 863	1 495 475 231
Diluted weighted average number of ordinary shares in issue	1 363 003 863	1 525 475 231
Basic earnings per share (cents)	11.24	8.33
Headline earnings per share (cents)	10.67	8.33
Diluted earnings per share (cents)	10.99	8.17
Diluted headline earnings per share (cents)	10.44	8.17

The increase in diluted weighted average number of ordinary shares is due to the pending allotment, after the financial year-end, of 30 million ordinary shares to the vendors of Synthesis, in terms of the contingent consideration referred to in note 16.

33. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of financial instruments

	Amortised cost	Total	Fair value
Categories of financial assets			
2020			
Trade and other receivables	77 571 940	77 571 940	77 571 940
Loan to associates	1 455 755	1 455 755	1 455 755
Cash and cash equivalents	505 120 733	505 120 733	505 120 733
	584 148 428	584 148 428	584 148 428
2019			
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 associates	5 179 241	5 179 241	5 179 241
Cash and cash equivalents	611 227 490	611 227 490	611 227 490
	673 568 945	673 568 945	673 568 945
Categories of financial liabilities			
2020			
Lease liability	27 156 379	27 156 379	27 156 379
Trade and other payables	68 725 182	68 725 182	68 725 182
	95 881 561	95 881 561	95 881 561
2019			
Trade and other payables	53 356 931	53 356 931	53 356 931
Other financial liabilities	2 434 271	2 434 271	2 434 271
	55 791 202	55 791 202	55 791 202

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

	Amortised cost	Total
2020		
Recognised in the statement of comprehensive income:		
Finance income	38 724 301	38 724 301
2019		
Recognised the statement of comprehensive income:		
Finance income	38 280 325	38 280 325
Categories of financial liabilities		
2020		
Recognised in the statement of comprehensive income:		
Finance costs	2 304 874	2 304 874
Categories of financial liabilities		
2019		
Recognised in the statement of comprehensive income:		
Finance costs	601 735	601 735

33. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

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 and costs in United States Dollars and Euros, 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 R344 199 and R247 823 respectively (31 March 2019: R1 million and R720 000 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 R2.5million and R1.8 million respectively (31 March 2019: R3.2 million and R2.3 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 the Group are all due within the next 12 months.

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

	Less than 1 year	Total	Carrying amount
2020			
Trade and other payables	68 725 182	68 725 182	68 725 182
Lease liability	7 600 898	7 600 898	7 600 898
	76 326 080	76 326 080	76 326 080
Categories of financial liabilities			
2019			
Trade and other payables	53 356 931	53 356 931	53 356 931
Other financial liabilities	53 356 931	53 356 931	53 356 931

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
2020			
Trade and other receivables	77 571 940	–	77 571 940
Loan to associates	1 455 755	–	1 455 755
Cash and cash equivalents	505 120 733	–	505 120 733
	584 148 428	–	584 148 428
2019			
Trade and other receivables	38 151 174	–	38 151 174
Other financial assets	19 011 040	–	19 011 040
Loan to associates	5 179 241	–	5 179 241
Cash and cash equivalents	611 227 490	–	611 227 490
	673 568 945	–	673 568 945

Trade and other receivables

The credit quality of trade and other receivables 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 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 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.

34. GROUP INFORMATION

Subsidiaries	Principal Activities	% Equity interest
Capprec Management Services Proprietary Limited	Corporate administration	100%
African Resonance Business Solutions Proprietary Limited	Payment solutions	100%
Rinwell Proprietary Limited	Payment solutions	100%
Dashpay Proprietary Limited	Payment solutions	100%
Synthesis Software Technologies Proprietary Limited	Software solutions	100%
Associates		
Proximity ID Proprietary Limited	Software solutions	0.05%
GroEx Proprietary Limited	Software solutions	15%
Govchat Proprietary Limited	Software solutions	35%

35. 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.

The foreign exchange contract assets are recognised at fair value under level 2. The inputs into the valuation include the market interest rates and foreign exchange rates, as well as yield curves. There have been no transfers between the levels during the year.

36. DIVIDENDS

A dividend of 2.00 cents per ordinary share was declared on 10 June 2019 amounting to R31.10 million. A dividend of 2.25 cents per ordinary share was declared on 18 November 2019 amounting to R29.48 million. The total dividends paid during the year amounted to R60.58 million (2019: R66.09 million).

37. POST-YEAR-END EVENTS

COVID-19

The Group believes COVID-19 is a "non-adjusting event" and that circumstances arising from COVID-19 have had little negative impact on the results at 31 March 2020. The Group has successfully implemented the processes and procedures for business continuity in a COVID-19 trading environment, as required by Regulation. The Group has not experienced any material operating and servicing disruptions or any material deterioration in trading performance for the period from the financial year-end, dated 31 March 2020, to the date of this report.

The significant estimates, judgements and assumptions made in preparing the Group's results have remained constant at this stage, despite the pandemic. The Group is currently not exposed to credit risk and at the time of reporting, no significant change in this credit risk position has been noted. Management will, however, continue to actively monitor this. At this stage, no significant impairments of the company's assets are expected to arise. Further assessment of this will be conducted as the new financial year unfolds. There has been no significant negative impact on the net realisable value of inventory as a result of the crisis. To date, the Group has not had to seek relief from the government or other suppliers as a result of COVID-19.

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

Figures in Rand	Notes	2020	2019
ASSETS			
Property, plant and equipment	1	1 610 802	2 149 757
Investment in subsidiaries	2	890 539 473	890 539 473
Investment in associates	3	1	26 360 129
Deferred tax asset	4	100 070	92 300
Non-current assets		892 250 346	919 141 659
Trade and other receivables	5	1 600 176	1 681 042
Other financial assets	6	98 699 123	60 324 434
Loan to associates	7	1 455 755	–
Taxation receivable		637 841	–
Cash and cash equivalents	8	354 408 175	494 697 722
Current assets		456 801 070	556 703 198
Total assets		1 349 051 416	1 475 844 857
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9	1 058 981 110	1 253 152 500
Share-based payment reserve	10	526 194	305 294
Contingent consideration reserve	11	24 900 000	24 900 000
Retained income		53 879 686	51 220 633
Total equity		1 138 286 990	1 329 578 427
Contingent consideration	11	–	9 271 591
Non-current liabilities		–	9 271 591
Contingent consideration	11	10 000 000	–
Trade and other payables	12	5 889 903	4 338 536
Other financial liabilities	13	194 874 523	132 163 197
Taxation payable		–	493 106
Current liabilities		210 764 426	136 994 839
Total equity and liabilities		1 349 051 416	1 475 844 857

COMPANY STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDING 31 MARCH 2020

Figures in Rand	Notes	2020	2019
Revenue		61 800 000	61 516 850
Dividends received		60 000 000	58 000 000
Other income	14	1 800 000	3 516 850
Operating expenses		(25 317 057)	(19 498 925)
Trading profit		36 482 943	42 017 925
Share-based payment expense		(220 900)	(54 794)
Depreciation: Property, plant and equipment		(538 955)	(533 828)
Acquisition costs	15	–	(415 451)
Operating profit		35 723 088	41 013 852
Finance income	16	33 073 985	29 433 912
Finance costs paid to subsidiaries	17	(11 460 753)	(2 745 169)
Equity accounted loss in associate	3	(346 092)	(2 428 181)
Gain on sale of associate	3	8 664 739	–
Profit before taxation		65 654 967	65 274 414
Taxation	18	(835 913)	(2 870 347)
Profit after taxation		64 819 054	62 404 067
Other comprehensive income		–	–
Total comprehensive income for the year		64 819 054	62 404 067

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDING 31 MARCH 2020

Figures in Rand	Ordinary share capital	Share-based payment reserve	Contingent consideration reserve	Retained income	Total equity
Balance at 31 March 2018	1 253 152 500	250 500	24 900 000	54 904 066	1 333 207 066
Share-based payment reserve	–	54 794	–	–	54 794
Cash dividends paid	–	–	–	(66 087 500)	(66 087 500)
Total comprehensive income for the year ended 31 March 2019	–	–	–	62 404 067	62 404 067
Balance at 31 March 2019	1 253 152 500	305 294	24 900 000	51 220 633	1 329 578 427
Share-based payment reserve	–	220 900	–	–	220 900
Repurchase of 245 000 000 cancelled ordinary shares	(192 726 496)	–	–	–	(192 726 496)
Costs associated with repurchase of 245 000 000 cancelled ordinary shares	(1 444 894)	–	–	–	(1 444 894)
Costs associated with circular	–	–	–	(1 585 001)	(1 585 001)
Cash dividends paid	–	–	–	(60 575 000)	(60 575 000)
Total comprehensive income for the year ended 31 March 2020	–	–	–	64 819 054	64 819 054
Balance at 31 March 2020	1 058 981 110	526 194	24 900 000	53 879 686	1 138 286 990

COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDING 31 MARCH 2020

Figures in Rand	Notes	2020	2019
Cash flow from operations	19	(21 727 126)	(15 296 859)
Finance income received		33 073 985	29 433 912
Dividends received		60 000 000	58 000 000
Dividends paid		(60 575 000)	(66 087 500)
Taxation refund received		–	309 426
Taxation paid		(1 974 429)	(2 469 339)
Net cash flow from operating activities		8 797 430	3 889 640
Cash flows from investing activities			
Acquisition of property, plant and equipment		–	(2 416 992)
Repayment of loan from associate		5 021 341	–
Proceeds from disposal of associate		34 978 659	–
Costs associated with sale of associate		(299 882)	–
Costs associated with circular		(1 585 001)	–
Loan to subsidiary		(54 234 397)	(14 124 581)
Net cash flow from investing activities		(16 119 280)	(16 541 573)
Cash flows from financing activities			
Loan to associate		(1 455 755)	–
Funds received from subsidiaries		62 659 448	130 000 000
Repurchase of 245 000 000 cancelled ordinary shares		(192 726 496)	–
Costs associated with repurchase of 245 000 000 cancelled ordinary shares		(1 444 894)	–
Net cash flow from financing activities		(132 967 697)	130 000 000
Net increase/(decrease) in cash and cash equivalents		(140 289 547)	117 348 067
Cash and cash equivalents at beginning of year		494 697 722	377 349 655
Cash and cash equivalents at end of year		354 408 175	494 697 722

ACCOUNTING POLICIES

Refer to the Group accounting policies in Notes 1 and 2

1. PROPERTY, PLANT AND EQUIPMENT

	2020		
Figures in Rand	Cost	Accumulated depreciation	Carrying value
Property, plant and equipment			
Computer hardware	931 745	(458 321)	473 424
Computer software	15 049	(8 360)	6 689
Office equipment	182 097	(131 958)	50 139
Furniture and fixtures	995 607	(340 536)	655 071
Leasehold improvements	689 967	(264 488)	425 479
Total	2 814 465	(1 203 663)	1 610 802

	2020				
Figures in Rand	Opening balance	Additions	Disposals	Depreciation	Carrying value
Reconciliation of property, plant and equipment					
Computer hardware	656 123	–	–	(182 702)	473 421
Computer software	11 705	–	–	(5 016)	6 689
Office equipment	97 450	–	–	(47 312)	50 138
Furniture and fixtures	821 006	–	–	(165 935)	655 071
Leasehold improvements	563 473	–	–	(137 990)	425 483
Total	2 149 757	–	–	(538 955)	1 610 802

	2019		
Figures in Rand	**Cost**	**Accumulated depreciation**	**Carrying value**
Computer hardware	931 745	(275 622)	656 123
Computer software	15 049	(3 344)	11 705
Office equipment	182 097	(84 647)	97 450
Furniture and fixtures	995 607	(174 601)	821 006
Leasehold improvements	689 967	(126 494)	563 473
Total	2 814 465	(664 708)	2 149 757

	2019				
	Opening balance	**Additions**	**Disposals**	**Depreciation**	**Carrying value**
Reconciliation of property, plant and equipment					
Computer hardware	99 748	749 075	–	(192 700)	656 123
Computer software	–	15 049	–	(3 344)	11 705
Office equipment	12 272	141 935	–	(56 757)	97 450
Furniture and fixtures	154 572	820 966	–	(154 532)	821 006
Leasehold improvements	–	689 967	–	(126 494)	563 473
Total	266 592	2 416 992	–	(533 827)	2 149 757

Figures in Rand	2020	2019

2. INVESTMENT IN SUBSIDIARIES

Opening balance	890 539 473	890 539 473
Acquisitions during the year	–	–
Closing balance	890 539 473	890 539 473

The Company owns 100% of the shares in African Resonance Proprietary Limited, Rinwell Proprietary Limited, Dashpay Proprietary Limited, Synthesis Software Technologies Proprietary Limited and CAPPREC Management Services Proprietary Limited. Investments in subsidiaries are valued at cost.

The above investments were acquired on 6 May 2017 and there have been no further investments since that date.

3. INVESTMENT IN ASSOCIATES

Figures in Rand	2020	2019
Unlisted investments		
3.1 Resonance Australia Proprietary Limited		
17 580 shares at cost	29 746 521	29 746 521
Share of loss of associate	(3 732 484)	(3 386 392)
Sale of associate	(26 014 037)	–
Closing balance	–	26 360 129
Reconciliation		
Opening balance	26 360 129	28 788 310
Share of equity accounted loss in associate	(346 092)	(2 428 181)
Related costs	299 883	–
Proceeds on disposal	(34 978 659)	–
	(8 664 739)	–
Capital profit on disposal of associate	8 664 739	–
Closing balance	–	26 360 129

During the year, the Company sold its 17.45% interest in Resonance Australia Proprietary Limited and its claims on the loan account, for an aggregate amount of R40 million, which was settled on 17 September 2019.

Summarised financial information of associate for the period 1 April 2019 to 9 June 2019 (date of sale)

Figures in Rand	1 April 2019 – 9 June 2019	2019
Income statement	–	–
Revenue	1 598	–
Loss before and after taxation	(1 984 462)	(13 862 309)
Balance sheet		
Assets		
Non-current assets		
Property, plant and equipment	6 277 841	6 532 156
Current assets		
Sundry receivables	37 886	25 589
Cash and cash equivalents	12 680 070	15 292 013
Total assets	18 995 797	21 849 758
Equity and liabilities		
Capital and reserves	3 268 294	5 614 706
Shareholders' loans	15 030 000	15 540 000
Current liabilities		
Trade and other payables	697 503	695 052
Total equity and liabilities	18 995 797	21 849 758

3.2 Govchat Proprietary Limited

The Group acquired a 35% interest in Govchat (Proprietary) Limited on 21 May 2019. Govchat operates a technology platform that connects people to Government and Government to people. The principal business is in Cape Town and the company is incorporated in South Africa.

Figures in Rand	2020	2019
54 shares at cost	1	–
Carrying and fair value	1	–
Summarised financial information of associate		
Income statement		
Revenue	2 200 000	–
Loss before and after taxation	(2 974 125)	–
Balance sheet		
Assets		
Non-current assets		
Property, plant and equipment	1 701 265	–
Intangible assets	6 268 170	–
Current assets		
Sundry receivables	2 336 295	–
Cash and cash equivalents	63 653	–
Total assets	10 369 383	–
Equity and liabilities		
Accumulated loss	(11 925 190)	–
Subordinated loans	15 652 755	–
Current liabilities		
Trade and other payables	6 641 818	–
Total equity and liabilities	10 369 383	–

4. DEFERRED TAX

Figures in Rand	2020	2019
Deferred tax asset		
Timing differences	100 070	92 300
Reconciliation of deferred tax asset		
At beginning of period	92 300	–
Timing differences	7 770	92 300
At end of period	100 070	92 300

5. TRADE AND OTHER RECEIVABLES

Figures in Rand	2020	2019
Accounts receivable	956 838	800 470
VAT receivable	308 470	574 920
Prepayments	334 868	305 652
	1 600 176	1 681 042
Accounts receivable are receivable within 12 months and bear no interest.		
Categorisation of trade and other receivables		
Accounts receivables are categorised in accordance with IFRS 9: Financial instruments as follows:		
At amortised cost	956 838	800 470
Non-financial instruments	643 338	880 572
	1 600 176	1 681 042

Fair value of trade and other receivables

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

6. OTHER FINANCIAL ASSETS

Figures in Rand	2020	2019
Loan to subsidiary: CAPPREC Management Services Proprietary Limited	74 833 748	49 643 907
Loan to subsidiary: African Resonance Proprietary Limited	–	5 501 285
Loan to subsidiary: Dashpay Proprietary Limited	23 865 375	–
Loan to associate: Resonance Australia Proprietary Limited	–	5 179 242
	98 699 123	60 324 434
Other financial assets are receivable within 12 months and bear no interest.		
Loan to subsidiary: CAPPREC Management Services Proprietary Limited		
Opening balance	49 643 907	41 020 612
Loan granted during the year	25 189 841	8 623 295
Closing balance	74 833 748	49 643 907
An interest free loan was granted to CAPPREC Management Services Proprietary Limited, a wholly-owned subsidiary of the Company, and is repayable on demand.		
Loan to subsidiary: African Resonance Business Solutions Proprietary Limited		
Opening balance	5 501 285	–
Loan granted/(repaid) during the year	(5 501 285)	5 501 285
Closing balance	–	5 501 285
Loan to subsidiary: Dashpay Proprietary Limited		
Opening balance	(5 086 460)	
Loan granted/(repaid) during the year	28 951 835	(5 086 460)
Closing balance	23 865 375	(5 086 460)
An interest free loan was granted to Dashpay Proprietary Limited, a wholly-owned subsidiary of the Company, and is repayable on demand.		
Resonance Australia Proprietary Limited		
Opening balance	5 179 242	4 512 392
Realised foreign exchange profit/(loss)	(157 900)	666 850
Loan repaid during the year	(5 021 342)	–
Closing balance	–	5 179 242

7. LOAN TO ASSOCIATE

Figures in Rand	2020	2019
Govchat Proprietary Limited		
Opening balance	–	–
Loan granted during the year	1 455 755	–
Closing balance	1 455 755	–

During the year, an interest free enterprise development loan was granted to Govchat Proprietary Limited and is repayable on demand.

There is no estimated credit loss.

8. CASH AND CASH EQUIVALENTS

Figures in Rand	2020	2019
Cash and cash equivalents consist of:		
Bank balances	8 935 900	3 171 906
Bank call and notice deposits	345 472 275	491 525 816
	354 408 175	494 697 722

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 amortised cost. 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.

9. SHARE CAPITAL

Figures in Rand	2020	2019
Ordinary shares of no par value	1 058 981 110	1 253 152 500

	Number	Number
Authorised shares		
Ordinary shares of no par value	10 000 000 000	10 000 000 000
Constituent ordinary shares of no par value	4 000	4 000
Issued shares		
Ordinary shares of no par value at beginning of the year	1 555 000 000	1 555 000 000
Ordinary shares of no par value repurchased and cancelled during the year	(245 000 000)	–
Ordinary shares of no par value at end of year	1 310 000 000	1 555 000 000
Reconciliation of issued ordinary shares		
Number of issued ordinary shares at the beginning of the year	1 555 000 000	1 555 000 000
Number of ordinary shares repurchased and cancelled during the year	(245 000 000)	–
Number of issued ordinary shares at the end of the year	1 310 000 000	1 555 000 000

The costs associated with the repurchase of 245 000 000 cancelled ordinary shares amounted to R1 444 894.

10. SHARE-BASED PAYMENTS

Figures in Rand	2020	2019
The Company has two Incentive Schemes:		
10.1 The Company's Share Incentive scheme ("Scheme"), which was introduced on the date the Company was listed in 2015, grants share 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.		
10.2 The Company's Conditional Share Plan ("CSP") was introduced during the year, and grants share awards to Executives and senior management of the Company. The CSP 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.		
Company share incentive scheme	481 894	305 294
Company conditional share plan	44 300	–
Total share-based payment reserve	526 194	305 294

10.1 Company's Share Incentive Scheme

	2020	
	Number	**Price**
The number and fair value of the share options are:		
Beginning of the year	32 095 000	80 cents
Forfeited	(3 170 000)	80 cents
Granted	8 500 000	75 cents
End of the year	37 425 000	

These share options are exercisable over the period 1 September 2020 to 30 September 2024.

	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	

The Company recognised an expense of R176 600 (2019: R54 794) for the share options granted.

	Number	
Details of directors' outstanding share options	**2020**	**2019**
M Shapiro (appointed 12 June 2019)	2 300 000	2 300 000

The terms and conditions of the share 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)	26.00
2. Exercise price at end of period (cents)	80.00
3. Expected volatility (%)	26.66
4. Option life (years)	5.39
5. Distribution yield (%)	2.00
6. Risk-free rate (based on National Bond Curve) (%)	7.67

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

10. SHARE-BASED PAYMENTS CONTINUED

10.2 The Company's Conditional Share Plan

	2020	
	Number	**Price**
The number and fair value of share awards are:		
Beginning of the year	–	
Granted	15 425 000	56.77 cents
End of the year	15 425 000	

These share awards are exercisable on 15 March 2023.

The Company recognised an expense of R44 300 (2019: Nil) for the share awards granted during the 2020 financial year.

The Conditional Share Plan was approved by the Board on 11 March 2020. Accordingly there were no share awards in 2019.

	Number	
Details of directors outstanding conditional share plan awards	**2020**	**2019**
M Pimstein	3 600 000	–
B Sacks	3 600 000	–
A Salomon	3 600 000	–
M Shapiro	1 250 000	–
	12 050 000	–

Vesting conditions

The terms and conditions of the Conditional Share Plan is based on share awards, which have a three-year vesting period, subject to performance, employment and vesting conditions.

The performance metrics consist of financial objectives, non-financial objectives and key individual performance indicators, details of which will be disclosed in the Remuneration Report in the Group Integrated Annual Report.

All share awards will be exercised on the vesting date, being the third anniversary of the date upon which the share awards 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)	52.00
2. Exercise price at end of period (cents)	56.77
3. Expected volatility (%)	29.52
4. Option life (years)	3.00
5. Distribution yield (%)	5.00
6. Risk-free rate (based on National Bond Curve) (%)	7.34

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

11. CONTINGENT CONSIDERATION RESERVE

Figures in Rand	2020	2019
Cash	10 000 000	9 271 591
Shares	24 900 000	24 900 000
Total	34 900 000	34 171 591

The Synthesis profit warranty consideration of R34 900 000 was included as part of the purchase consideration.

Synthesis achieved the profit warranty at 31 March 2020. The Synthesis shareholders will receive R10 million cash and an allotment of 30 million ordinary shares once the group annual financial statements are signed.

12. TRADE AND OTHER PAYABLES

Figures in Rand	2020	2019
Trade payables and accruals	1 763 338	1 870 952
Accrued expenses	3 735 259	2 137 940
Leave pay provision	293 695	227 732
Bonus provision	97 611	101 912
	5 889 903	4 338 536

Trade and other payables are non-interest-bearing and are normally settled in 30 to 90 days.

13. OTHER FINANCIAL LIABILITIES

Figures in Rand	2020	2019
Loans from subsidiaries		
African Resonance Business Solutions Proprietary Limited	191 912 319	121 996 658
Dashpay Proprietary Limited	–	5 086 460
Synthesis Software Technologies Proprietary Limited	2 962 204	5 080 079
	194 874 523	132 163 197

African Resonance Business Solutions Proprietary Limited and Synthesis Software Solutions Proprietary Limited are all 100% owned subsidiaries of the Company. The subsidiary companies invested their excess cash with the Company, for the benefit of the Group's treasury management.

14. OTHER INCOME

Figures in Rand	2020	2019
Gain on foreign exchange	–	666 850
Administration fees received from subsidiaries	1 800 000	2 850 000
	1 800 000	3 516 850

15. OPERATING PROFIT

Figures in Rand	2020	2019
The following items are included within operating profit:	35 723 088	41 013 852
Auditors' costs	1 944 200	1 046 754
Audit fees	982 190	892 900
Other costs	962 010	153 854
Internal audit fees	646 286	1 018 760
Employee costs	6 153 530	6 473 208
Public relations	608 763	918 689
Media announcements	–	637 763
JSE Expense	312 492	308 780
Administration fees paid to subsidiary	1 800 000	1 080 000
Share-based payment expense	220 900	54 794
Legal fees	1 936 499	2 541 211
Executive Directors' remuneration	5 400 000	–
Directors' fees	1 240 000	1 440 000
Gain/(Loss) on foreign exchange	(157 900)	666 850

16. FINANCE INCOME

Interest income		
Bank	33 073 985	29 433 912
	33 073 985	29 433 912

17. FINANCE COSTS

Interest paid		
Present value of cash portion of the contingent consideration (note 11)	728 400	581 972
Interest paid to subsidiary companies from the company's treasury management	10 732 353	2 163 197
	11 460 753	2 745 169

18. TAXATION

Major components of the tax expense		
Current		
Local income tax current year	(261 140)	2 962 647
Capital Gains Tax	1 104 823	
Deferred		
Relating to origination of temporary differences	(7 770)	(92 300)
Income tax expense reported in the statement of profit or loss	835 913	2 870 347

	%	%
Reconciliation of rate of taxation		
South African normal tax	28.00	28.00
Adjusted for:		
– Permanent differences	(26.76)	(24.50)
– Timing differences	0.03	0.90
Effective tax rate	1.27	4.40

19. CASH FLOW OPERATIONS

Figures in Rand	2020	2019
Cash flows from operating activities		
Profit before taxation	65 654 967	65 274 414
Adjustments for:		
Dividends received	(60 000 000)	(58 000 000)
Depreciation	538 955	533 828
Finance income	(33 073 985)	(29 433 912)
Finance costs	11 460 753	2 745 169
Share of loss of associate	346 092	2 428 181
Share-based payment expense	220 900	54 794
Gain/(Loss) on foreign exchange	157 900	(666 850)
Profit on disposal of associate	(8 664 739)	–
Changes in working capital		
Trade and other receivables	80 866	840 270
Trade and other payables	1 551 165	927 247
	(21 727 126)	(15 296 859)

20. DIRECTORS' REMUNERATION

The remuneration paid to directors while in office in the Company during the year ended 31 March 2020 is as follows:

Figures in Rand	2020	2019
Executive Directors		
M Pimstein	1 800 000	–
B Sacks	1 800 000	–
A Salomon	1 800 000	–
M Shapiro*	3 800 463	–
Total	9 200 463	–

** M Shapiro was appointed as a director on 12 June 2019. His remuneration for the year ended 31 March 2020 was R3 800 463 (2019: R3 331 647).*

Figures in Rand	2020	2019
Non-Executive Directors' Fees		
B Bulo	210 000	230 000
D Dlamini	80 000	130 000
M Kahn	120 000	140 000
E Kruger	120 000	130 000
M Mokoka	–	150 000
R Morar	120 000	90 000
E Neishlos	40 000	105 000
H Neishlos	40 000	90 000
M Sacks	150 000	–
V Sekese	240 000	205 000
C Valkin	120 000	170 000
Total	1 240 000	1 440 000

The non-executive directors' remuneration was approved by special resolution at the Annual General Meeting held on 27 August 2019.

21. RELATED PARTIES

Refer to the Group Related parties in Note 29.

22. FAIR VALUE

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.

There have been no transfers between the levels during the year.

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of financial instruments

	Amortised cost	Total	Fair value
Categories of financial assets			
2020			
Trade and other receivables	956 838	956 838	956 838
Other financial assets	98 699 123	98 699 123	989 699 123
Loan to associate	1 455 755	1 455 755	1 455 755
Cash and cash equivalents	354 408 175	354 408 175	354 408 175
	455 519 891	455 519 891	455 519 891
2019			
Cash and cash equivalents	494 697 722	494 697 722	494 697 722
Trade and other receivables	800 740	800 740	800 740
Other financial assets	60 324 434	60 324 434	60 324 434
	555 822 896	555 822 896	555 822 896
Categories of financial liabilities			
2020			
Trade and other payables	5 889 903	5 889 903	
Other financial liabilities	194 874 523	194 874 523	
	200 764 426	200 764 426	
2019			
Trade and other payables	4 338 536	4 338 536	
Other financial liabilities	132 163 197	132 163 197	
	136 501 733	136 501 733	

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

	Amortised cost	Total
2020		
Recognised in the statement of comprehensive income:		
Finance income	33 073 985	33 073 985
2019		
Recognised the statement of comprehensive income:		
Finance income	29 433 912	29 433 912

Capital risk management

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

Financial risk management

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

Currency risk management

The Company has no material exposure to foreign currency, as it sold its investment and recovered its loans from its associate, Resonance Australia Proprietary Limited, on 17 September 2019.

Monthly budgeted and authorised operating expenditure, which are incurred in foreign currency, are settled within 30 to 60 days from the date the expenses are incurred.

At year-end, the Company had no foreign assets or liabilities.

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 R1.9 million and R1.3 million respectively (31 March 2019: R3.2 million and R2.3 million, respectively), a decrease of 50 basis points would have an equal but opposite effect. The analysis assumes that all other variables remain constant.

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT CONTINUED

Liquidity risk

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

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

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
2020			
Trade and other payables	5 889 903	5 889 903	5 889 903
Other financial liabilities	194 874 523	194 874 523	194 874 523
	200 764 426	200 764 426	200 764 426
Categories of financial liabilities			
2019			
Trade and other payables	4 338 536	4 338 536	4 338 536
Other financial liabilities	132 163 197	132 163 197	132 163 197
	136 501 733	136 501 733	136 501 733

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
2020			
Trade and other receivables	956 838	956 838	956 838
Other financial assets	98 699 123	98 699 123	98 699 123
Loan to associate	1 455 755	1 455 755	1 455 755
Cash and cash equivalents	354 408 175	354 408 175	354 408 175
	455 519 891	455 519 891	455 519 891
2019			
Trade and other receivables	800 740	800 740	800 740
Other financial assets	60 324 434	60 324 434	60 324 434
Cash and cash equivalents	494 697 722	494 697 722	494 697 722
	555 822 896	555 822 896	555 822 896

Trade and other receivables

The credit quality of trade and other receivables 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 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 Company 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 Company'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 Company 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.

24. DIVIDENDS

A dividend of 2.00 cents per ordinary share was declared on 10 June 2019 amounting to R31.10 million. A dividend of 2.25 cents per ordinary share was declared on 18 November 2019 amounting to R29.48 million. The total dividends paid during the year amounted to R60.58 million (2019: R66.09 million).

25. POST-YEAR-END EVENTS

Refer to the Group Post-Year Events in Note 37.

ADMINISTRATION INFORMATION

Country of incorporation and domicile	Republic of South Africa
Registration number	2014/253277/06
Date of incorporation	The Company was incorporated as a private company on 3 December 2014 under the name Firefly Investment 285 Proprietary Limited. On 2 June 2015 the Company was converted into a public company and changed its name to Capital Appreciation Limited.
Registered office	1st Floor 61 Katherine Street Sandton, 2196
Telephone	+27 010 025 1000
Email	investor@capitalappreciation.co.za
Website	www.capitalappreciation.co.za
Company Secretary	PKF Octagon 21 Scott Street Waverley, 2090
Auditor	Ernst & Young Inc. 102 Rivonia Road Sandton, 2196
Legal advisors	Bowman Gilfillan 11 Alice Lane Sandton, 2196
Sponsor	Investec Bank Limited 100 Grayston Drive Sandown Sandton, 2196
Transfer secretary	Computershare Investor Services Proprietary Limited Ground Floor 70 Marshall Street Johannesburg, 2001

www.capitalappreciation.co.za