



Capital Appreciation Limited  
Incorporated in the Republic of South Africa  
(Registration number 2014/253277/06)  
Share code: CTA ISIN: ZAE000208245  
("CAPPREC", or the "Group")

## **TRADING STATEMENT**

In terms of paragraph 3.4 (b) of the Listings Requirements of the JSE Limited, a listed company is required to publish a trading statement as soon as it is satisfied that a reasonable degree of certainty exists that any of its financial results for the period to be reported on next, will differ by at least 20% from those of the previous corresponding period.

Shareholders are referred to Capital Appreciation's business update on 26 September 2022. Capital Appreciation is in the process of finalising its interim results for the six months to 30 September 2022. In finalizing the results, the Board has considered its position in relation to its associate, GovChat Proprietary Limited (GovChat).

Capital Appreciation owns 35% of GovChat, which is a startup enterprise that owns and operates a technology platform that facilitates bilateral engagement between citizens and their government. Capital Appreciation has provided loan funding of R56.343 million to the entity. A recent review of GovChat has prompted the Board to question its ongoing viability and the Group's willingness to continue funding GovChat's operating costs. The ability of GovChat to secure formal revenue generating contracts with Government and other potential customers is taking longer than anticipated and this situation has been exacerbated through the anti-competitive interference by WhatsApp and Facebook (Meta) in the affairs of GovChat, clearly hampering GovChat's ability to grow. These events have also required GovChat to incur significant legal costs to challenge Meta before the Competition Tribunal and Competition Commission. As a start-up with limited resources, GovChat's challenges have been made more difficult, as other GovChat shareholders have to date been unable to contribute their share towards the capital needed to fund its operations.

Meta, at the instance of GovChat, is presently being prosecuted by the Competition Commission for its anti-competitive behaviour and the abuse of its market dominant position. GovChat believes the Competition Commission will prevail and that GovChat will ultimately be awarded substantial monetary damages because of Meta's actions. This award is expected to far exceed the value of the Group's loan exposure to GovChat and will likely be more than sufficient, to ensure the loan's repayment over the long term.

Given the uncertainty as to the timeline for the conclusion of the litigation, also mindful of the possibility that GovChat may not succeed, the Group has resolved to adopt a conservative and judicious approach to impair the GovChat loan amounting to R56.343 million, while still retaining its shareholding in the company. Notwithstanding the above, the Group continues to believe in the merits of GovChat's stated position related to Meta's anti-competitive conduct and intends to continue to pursue the claims against Meta. The Group loan to GovChat continues to be secured by a pledge of the shares in GovChat as well as the intellectual property of GovChat.

CAPPREC's Headline Earnings Per Share ("HEPS") for the six months ended 30 September 2022 is unaffected by this non-cash impairment and will be higher than the corresponding period by between 3.6% and 4.9% and will be between 7.70 cents and 7.80 cents, when compared to the reported HEPS of 7.43 cents for the reporting period ended 30 September 2021.

CAPPREC's basic Earnings Per Share ("EPS") for the six months ended 30 September 2022 will be lower than the corresponding period by between 58.3% and 57.0% and will be between 3.10 cents and 3.20 cents, when compared to the reported EPS of 7.44 cents for the reporting period ended 30 September 2021. The non-cash impairment has no impact on the Group's cash resources and has no material impact on the Group's net asset value per share

Shareholders are advised that, while Group Revenue for the period ended 30 September 2022 has increased by more than 22%, the Group has incurred and expensed substantial costs in growth and new business initiatives. A more detailed description of these budgeted costs will be provided when the Group releases its results on 29 November 2022.

The financial information on which this trading statement is based has not been reviewed or reported on by the external auditors of CAPPREC.

CAPPREC's unaudited interim financial results for the six months ended 30 September 2022 will be released on SENS on 29 November 2022.

Johannesburg

25 November 2022

Sponsor: Investec Bank Limited