ANNUAL REPORT 2017

AFRICAN DAWN
CAPITAL LIMITED

Contents

Definitions in this annual report

Definitions used in this annual report

Knife Capital means Knife Capital Proprietary Limited

Knife Capital Group means Knife Capital Proprietary Limited and Grindstone Accelerator Proprietary Limited

Elite means Elite Group Proprietary Limited

Elite Two means Elite Group Two Proprietary Limited

Elite Cell means Elite Group Cell No 00181 Proprietary Limited

Grindstone means Grindstone Accelerator Proprietary Limited

Afdawn or the company means African Dawn Capital Limited

Candlestick means Candlestick Park Investments Proprietary Limited Nexus means

Nexus Personnel Finance Proprietary Limited

Afdawn Group or group means African Dawn Capital Limited and its subsidiary companies

YueDiligence Proprietary Limited

About us

About us

African Dawn Capital Limited (the "Company", "Afdawn" or "Group") was founded in 1998 as a micro finance business. Following its listing on the AltX in 2004, it grew into a niche finance provider specialising in micro finance, debtor discounting and structured property finance. As a result of its growth and corresponding increase in share price, Afdawn was able to acquire additional businesses and utilise shareholders' funds to grow its loan books.

By 2009 the Group had significant exposure to the property sector, mainly property developments that it had funded. The financial position of the Group then weakened in 2009 due to the collapse in the property markets and the associated increase in doubtful loans. This not only impacted the Group but also the majority of its executive management who, based on the increase in the share price, had entered into a highly geared single stock structure with Nedbank. The falling Afdawn share price triggered margin calls by Nedbank which, when not settled, led to Nedbank exercising its security and thereby becoming the single biggest shareholder in Afdawn.

The majority of the executive directors were subsequently removed from the Board and from executive management. A new Board had to be constituted.

The results of the forensic review have been handed over to the appropriate authorities and the process is in their hands.

The current position

Since the last annual report we have finalised both the Green Oaks and Elite transactions. The Greenoaks transaction was settled in May 2017. The Elite transaction was cancelled in May 2017 as the party could not come up with the funding. The impact of cancelling the Elite deal has required us to re - engage with SARS on our Compromise settlement agreement, which we hope to close out in the near future. .

Our report

Our current focus is on producing Annual Financial Statements and when the funds are available we will produce an Integrated Report. As far as possible the 2017 report is guided by the Global Reporting Initiative (GRI3) reporting guidelines as part of guiding the users to a conclusion on the quantitative (financial indicators) and qualitative (social, environmental and sustainability) events reported on for the 2017 period.

Knife Capital

The Knife Capital financial results were mixed. Revenue reached R10million, the highest level since the acquisition, but this was mostly driven by carried interest received from an exit of a third-party investee company. Most of the carried interest had to be distributed to the Knife Vendors in terms of the Knife Sales Agreement, signed in March 2014, and the Knife Settlement Agreement signed in June 2015. This resulted in significant increase in employment costs (refer to note 24). Knife Capital broadened its fund management activities and launched a third-party fund, KNF Ventures. This business will generate a revenue stream that will offset the revenue stream lost from the HBD management contract which has expired. Knife Capital will earn a management fee and also carried interest when the fund successfully exits investments. Grindstone Three was successfully launched and has many interesting candidates. Consideration is being given to restructuring Knife Capital so that Afdawn will take a direct stake in Grindstone and Yuedilligence. Grindstone has positioned itself as a very valuable asset that will assist in future deal flow and the capability to provide pre –and post investment interventions to investee companies. Yuedilligence has identified a new CEO who will drive the business as a separate entity and not just as a product of Knife Capital. Yuediligence will broaden its capacity to become a pure fintech platform company.

From the Chair

Dear Shareholder,

Progress during the last few years has been slow. There have been successes and failures, two steps forward and one step back. Progress has been arduous but we are moving forward.

We believe that there is seldom success without true grit. Grit is the power of passion and perseverance to achieve the long term goal. Afdawn has grit. We will finish what we began, which is to implement the vision to become an active investment holding company.

Whilst the Candlestick transaction was implemented successfully, the Elite transaction had to be cancelled after the purchaser failed to remedy the breach. We were very disappointed at having to cancel the Elite transaction, but we did this in the interest of all our stakeholders..

Elite

Elite achieved respectable results given the regulatory changes, economic climate, uncertainty created by the Elite transaction and no additional funding to grow the lending book. Although revenue was lower overall, an improved business mix, lower operating cost and further reduction in liabilities resulted in a more stable business. During the year, Elite advanced R66million to its clients in the form of new loans and received payments of R88 million from its clients through its 12 branches and call centre. Some key features of the Elite results are:

- R24,3million revenue and other income generated
- A further lowering of operating expenses resulted in an operating profit of R3 million
- A lower financial cost resulted in profit for the year of R1,56m
- Provision for impairment and write off of debtors' book increased by R3.8m
- Total liabilities were further reduced by R6.4million to improve the balance sheet.
- The Sandown debt repayment schedule was extended to a three-year period. This will enable Elite to maintain and grow its lending book. Elite has repaid R7.9 million of the Sandown Debt of R15m that was repayable in October 2014. The balance is repayable over the next three years.

The velocity of money is an important driver in the Elite business model, as the average term of loan is three months. For every R1million of new funding, roughly R4million of new advances can be made throughout the year if the funding stays inside the business. The Elite in-house lending platform gives it the flexibility to provide simplified products to its clients and to continue to reduce the cost of production of a loan. This should result in increased benefits to all stakeholders. The passion and perseverance of the Elite team is evident in the continued focus to improve the business under very difficult circumstances.

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Knife Capital broadened its fund management activities and launched a third-party fund, KNF Ventures. This business will generate a revenue stream that will offset the revenue stream lost from the HBD management contract which has expired. Knife Capital will earn a management fee and also carried interest when the fund successfully exits investments. Grindstone Three was successfully launched and has many interesting candidates.

Consideration is being given to restructure Knife Capital so that Afdawn will take a direct stake in Grindstone and Yuedilligence. Grindstone has positioned itself as a very valuable asset that will assist in future deal flow and the capability to provide pre –and post investment interventions to investee companies. Yuedilligence has identified a new CEO who will drive the business as a separate entity and not just as a product of Knife Capital. Yuediligence will broaden its capacity to become a pure fintech platform company.

From the Chair continued

SARS

A new Section 200 application was submitted in December 2016 and we await the outcome. This is still the biggest risk in the group as both the going concern and any future investment and/or capital raising can only be conducted, once we have received a final outcome from SARS.

A liability has been recognised in full for all interest and penalties that are payable to SARS. The liability originated in the years 2007 to 2010. During the 2010 financial year the VAT liabilities were discovered by the auditors and disclosed to SARS.

We are however hopeful that we will have finalisation very soon.

Properties in Possession and other

The sale of the Green Oaks Property was approved by shareholders on 18 October 2016 and the transfer was finalized in May 2017. All the Almika property sales were completed during the year. We continue to pursue various debtors of the Group.

Looking ahead

Our biggest challenge is still to reach a SARS settlement. Our focus is constantly on the operational performance of the assets to ensure we get the required returns. We are further reducing costs in the Group.

Appreciation

We have learnt to adapt and survive through a very difficult period.

I would like to thank the board, management and staff of the various operations, for their dedication and hard work during a tough year.

WJ Groenewald
5th June 2017

Key Indicators

Profitability – Comprehensive Income		2017	2016	2015	2014
Gross Profit	R ' 000	36,625	36,490	39,881	35,736
Other Income	R ' 000	1 387	3,910	7,417	959
Total income	R ' 000	38 012	40,400	47,298	36,695
Operational expenses	R ' 000	44 880	42,836	65,508	55,496
Net loss	R ' 000	(12 188)	(6,910)	(33,012)	(21,830)
Basic (loss)/earnings per share	Cents	*(55,6)	(0,79)	(3,84)	(4,11)
Dividends	Cents	-	-	-	-

Balances on Reporting Date – Financial Position		2017	2016	2015	2014
Net recoverable debtors	R ' 000	31,193	35,981	39,835	58,525
Cash	R ' 000	1,983	3,005	15,397	5,358
Properties in possession	R ' 000	15,853	18,247	22,968	24,748
Total Assets	R ' 000	58,785	72,036	94,416	96,425
Long term loans	R ' 000	6,316	7,829	13,298	8,844
Total Liabilities	R ' 000	48,472	49,535	65,005	63,311
Net Asset Value	R ' 000	10,313	22,501	29,411	33,114
Net Asset Value per share	Cents	*47	2.56	3.34	6.52
Share price trading at year - end	Cents	50	2.00	8.00	9.00
Market capitalisation	R ' 000	10,963	17,540	70,422	45,737
Number of shares in issue		*21,925	877,002,273	880,270,597	508,184,155
Number of branches		12	12	13	15
Number of employees		71	75	78	97

* Share consolidation @ 1 share per 40 held

The Board

The board at the year end

Mr. WJ Groenewald ("Jacques")
Chief Executive Officer and acting Chairman

Jacques was appointed as a non-executive director on 17 November 2011 and was subsequently appointed as the acting CEO on 24 February 2014, Chief Executive Officer on 28 March 2014 and acting chairman on 2 June 2014. He holds a B Com (Hons) from the University of Stellenbosch. He was an investment professional in the asset management, investment banking and hedge funds industry with 18 years experience.

Mr. G Hope ("Graham")
Chief Financial Officer

Graham is a Chartered Accountant. Graham has 20 years of experience in trading banking and private equity investments.

Ms. HH Hickey ("Hester")
Independent Non-Executive Director

Hester was appointed as a non-executive director on 21 February 2011. She is a Chartered Accountant and consults to various companies specialising in risk and governance. She also performs the Board evaluation processes for the Institute of Directors. She is currently non-executive director and audit committee Chair for Omnia Holdings Limited, Pan African Resources Plc and she is a non-executive director of Northam Platinum Limited. She is a past Chairman of the South African Institute of Chartered Accountants and has worked in senior positions for a number of listed companies and serves on several audit committees. Hester lectured auditing at the University of the Witwatersrand and was a member of the King II task team.

Ms. V. Lessing ("Vanya")
Independent Non-Executive Director

Vanya was appointed on 29 May 2013. Vanya is the CEO of the Sure Travel Group, responsible for managing the interests of shareholders, licensees and suppliers. The Sure Travel Group manages the interests of 100 travel companies in South Africa and Namibia. Vanya is the former CEO of ASATA (Association of Southern African Travel Agents). During her tenure there (2001 - 2005), she led the travel industry through change and a series of sensitive negotiations, resulting in a new industry business model. Vanya has extensive experience in collaboration and interaction with SMEs, expediting turnaround strategies. Her strong negotiating skills brings 'on the ground' expertise to the Board. Vanya is also a Board member of Sure Holdings (Pty) Ltd, ASATA and Worldwide Independent Travel Network Ltd (WIN).

The Board continued

Mr. SM Roper ("Stephen")
Independent Non-Executive Director

Stephen holds an Hons BCompt, PG Dip Tax Law, PG Dip Financial Policy, and is a Chartered Accountant with 28 years' experience. He has extensive experience in investments having served in the research team of one of South Africa's largest fund managers. During this time he had responsibility for investment research of industrial companies in South Africa. He has also served on the private equity investment committee of that fund manager and has corporate finance and business turnaround experience. He currently practices in the area of strategic management.

Statucor (Pty) Ltd represented by Mr Alun Rich ("Alun")
Company Secretary

Alun is a Fellow member of ICSA and gained his experience and knowledge of corporate governance as manager at Deloitte & Touché and as the founding partner of Wilson Rich & Associates.

Changes in office

None

Resignations

None

The Staff

The current year saw a small decrease in our work force from 75 to 71. Afdawn strives to uplift and enable individuals of all backgrounds and thereto we are proud to report:

	2017	2016	2015	2014
Women (as % of total workforce)	65%	65%	71%	65%
Women of colour (as % of total women employed)	41%	57%	49%	54%
Total people of colour (as % of total workforce)	51%	51%	41%	46%

Afdawn's empowerment process is not just by way of employment but also through in-house training, knowledge sharing and specialised external training where needed.

Remuneration

The remuneration policy is one of simplicity with remuneration assessed to be in line with targets with additional incentives for performance. The remuneration aims to develop and retain talent currently employed in the group. This helps to attract and retain people with the appropriate skills and knowledge to meet the present and future demands.

	Male		Female		
	African	White	African	White	Total
Executives	0	5	0	1	6
Senior management	0	4	0	1	5
Middle management	0	2	0	2	4
Junior management	0	3	3	6	12
Skilled	0	3	0	2	5
Semi-skilled	5	1	14	5	25
Unskilled	2	0	12	0	14
Total permanent	5	18	29	17	69
Temporary employees	2	0	0	0	2
Total employees	7	18	29	17	71
	25		46		71

Corporate Governance

1. The Board

Purpose:

To lead the Group with integrity, through policies, strategic decisions, planning, governance, resource allocation, standards of conduct and stakeholder relationship management.

Director	Office	Designation
WJ Groenewald	Chief Executive Officer (CEO) and acting Chairman	Executive
V Lessing		Independent non-executive
HH Hickey	Chair audit committee	Independent non-executive
SM Roper		Independent non-executive
G Hope	Chief Financial Officer (CFO)	Executive

Composition:

The board comprised the following directors at the year end:
Mr. WJ Groenewald (Acting Chairman and CEO);
Mr G Hope (Chief Financial Officer)
Ms. HH Hickey (Independent non-executive director);
Ms. V Lessing (Lead Independent non-executive director);
Mr SM Roper (Independent non-executive director);

Changes to the board during the year:

None

Changes in office

Resignations

None

With the resignation of Mr. CM Bull on 12 June 2015 Mr. WJ Groenewald was appointed as acting chairman. The chairman is re-elected to the position on an annual basis by the Board. The chairman was appointed by the Board and possesses the necessary skills, experience and leadership qualities to lead the Group. At the year end, the chairman was not a member of the remuneration committee, but is invited to attend on an ad-hoc basis, due to his skills and expertise. The chairman is a permanent invitee to the audit committee. The Board members individually and collectively have the necessary skills, expertise and experience ensuring effective and ethical decision making and strategy implementation.

The composition of the Board is the result of compliance with regulations, complexity of the Group, risks and skills needed. Each member deserves their position on the Board and their guidance and expertise are highly regarded. Collectively the Board acts as a strong and effective committee. The appointments in the previous period were important to closely align the skills required for the new vision on the Board. The appointment of new directors to the Board is a matter for the Board as a whole and is conducted in a formal and transparent manner.

Frequency of meetings:

The Board usually meets at least 4 times per year, but due to ad-hoc matters, 3 meetings were held up to the financial yearend. Actual meetings and attendance are set out in the table below. Ad-hoc informal meetings were held every second week.

	Meeting dates		
Board member	27 May 2016	18 October 2016	13 February 2017
Jacques Groenewald (Chairperson)	Yes	Yes	Yes
Graham Hope	Yes	Yes	Yes
Hester Hickey	Yes	Yes	Yes
Stephen Roper	Yes	Yes	Yes
Vanya Lessing	Yes	No	Yes

Corporate Governance continued

Roles and responsibilities:

The role of the Board remained to lead the Group towards accomplishing its purpose of creating wealth for its shareholders and stakeholders. The Board is able to fulfill its function as the members remain committed to the Group and with years of experience and specialised skills, are able to add value and make the required strategic decisions. The Board meets at least four times per annum and when needed to facilitate any ad-hoc strategic input. The focus has been kept on Afdawn's developing the new strategy of investment holdings in entrepreneurial companies and the realignment of the businesses in financial services, personal loans and managing/collection of debt. There is a clear division of responsibilities at Board level to ensure a balance of power and authority, such that no one individual has unfettered powers of decision-making.

The Group as an ethical corporate citizen:

The Board is ultimately responsible for leadership and governance of the Group, setting the tone at the top which promotes ethical behaviour. This remains a critical quality that vests in the group's leaders. The Board has been able to maintain the Afdawn, Knife Capital and Elite brands as credible names in an ever increasing and difficult market. This was accomplished with good governance built on a solid ethical foundation. The Board embraces the principles of the King Report on Governance for South Africa 2009 ("King Code III"). The Board is of the opinion that the corporate governance is in line with the Group's size, complexity, risks and objectives. The Board along with management is evolving continuously to align it with King Code III compliance. The Board is of the opinion that the Group complies in all material respects with the principles embodied in King Code III and the additional requirements for corporate governance stipulated by the JSE.

In determining the strategy and long term sustainability, the members keep abreast of the concerns and consideration of the impact of its operations on the economy, society and the environment. It remains the Board's goal to positively improve the lives of its customers and other stakeholders. The current focus remains on shareholder and employees' upliftment and rolling out the vision of the Company. This vision encompasses investment in and the development of entrepreneurial companies.

The Board and our Shareholders:

The year under review was difficult and shareholder updates have been given via SENS and attendance of the AGM

Assessing and developing our Board:

Our newly appointed Board members are formally inducted through a programme comprising reading material, interviews with key personnel and an introduction to Afdawn and its operations. In line with the JSE Listings Requirements applicable to Altx listed companies, all Board members are required to attend the Altx Directors Induction programme ("DIP") presented by Institute of Directors and formally by WITS Business School. The performance of each individual Board member and Board as a whole is assessed internally on an annual basis. Directors are only nominated for re-election after satisfactory performance assessments and outcomes. If areas for additional development are identified, these are managed through either ad hoc internal training or specialised training provided by reputable training institutions. Directors' remuneration is aligned with the outcomes of the performance assessments; the performance assessments for 2017 were informal, with formal assessments with specific reference to the CEO and financial director. Appointments to the Board is a formal and transparent process and a matter for the Board as a whole.

The Board adopted and approved a Gender Diversity Policy. Identifying suitable candidates for appointment to the Board, the Committee will consider candidates on merit against objective criteria and with due regard for the potential benefits of gender diversity at a Board level. The Committee will continue to discuss and annually agree all measurable targets for achieving gender diversity on the Board.

Directors' dealings:

To ensure that there is no conflict of interest or threat to the independence of Board members, the directors are required to declare any and all interests in contracts entered into by them and the Group. Dealings in securities by directors, senior managers and employees with access to management reports or price sensitive information are controlled and need to be authorised for clearance by the Chairman. No trading is allowed during closed periods or when information that could affect the share price is not yet disclosed to the public. Any trading done by directors of the Group or subsidiary companies, or the Company Secretary is announced on SENS.

2. Remuneration committee

Purpose:

To set a fair remuneration philosophy and apply a policy for the remuneration of Directors and employees of Afdawn Group.

Composition:

The remuneration committee consists of:

HH Hickey, SM Roper, V Lessing

Corporate Governance continued

The remuneration committee is required to meet at least twice a year. Details of actual meetings and attendance thereof is set out in the table below. In addition to the meeting below several ad-hoc meetings took place.

	31 May 2016	17 June 2016
V Lessing	√	√
SM Roper	√	√
HH Hickey	√	√

Due to the sensitivity and importance of remuneration, it is specifically managed by a separate remuneration committee assisted by the human resources department. The remuneration committee consists of three independent non-executive directors and the chairman of the committee is not the chairman of the Board. The main responsibility of the committee is to approve the remuneration of the executive Board members and any significant adjustments to employee remuneration. The executive directors suggest the remuneration of the non-executive directors and this is submitted to shareholders at the AGM for approval by special resolution.

The current salaries are limited by the financial constraints within the company. Once the profit and cash flow situations have been resolved the salaries will be reviewed and aligned to market value. Refer to Note 20 Trade and other Payables - here Directors unpaid salaries are disclosed. Actual executive directors' remuneration is set out in the table below:

	Total remuneration 2017 (R'000)	Total remuneration 2016 (R'000)
Company:		
Mr. WJ Groenewald	1,263	1,264
Mr. GB Hope	1,200	168

Actual non-executive directors' remuneration is set out in the table below:

	Total remuneration 2017 (R'000)	Total remuneration 2016 (R'000)
HH Hickey	144	144
V Lessing	144	144
SM Roper	144	144

Roles and responsibilities:

- determining, reviewing and approving the Company's policy on remuneration for both executives and managers;
- the finalisation of annual increases for the Group employees;
- the policy for determining executive management remuneration;
- the remuneration packages for the executive management team and financial director, including bonuses, incentive schemes and increases; and
- ensuring that the remuneration packages of the all directors are submitted to the AGM for approval.

he executive directors earn a fixed salaries. When performance warrants suitable incentives based on performance will be introduced.

Remuneration of non-executive directors is fixed and they are not paid per meeting attended due to the high number of ad-hoc meetings. The remuneration philosophy remains one of simplicity, practicality and sustainability which is aligned to market and industry trends. The policy ensures compensation for proven and sustainable performance both over the short and long term. The policies ensure that there are no incentives for risk taking and/or termination of contracts due to changes in management structure within the Group. The current focus remains on costs saving, strict management of cash and building on basics, resulting in no salary increases within the Group.

The current executive remuneration consists of:

- basic salary and suitable incentives for executive directors and executive management, and
- non-executive board fees based on prevailing market rates for similar businesses (using the PricewaterhouseCoopers annual publication non-executive directors' remuneration) as a guide. This comprises a fixed annual fee not related to the number of meetings attended.

There are currently no share incentive schemes in place although this matter is still under consideration.

Corporate Governance continued

4. Group Executive Committees ("Exco")

Purpose:

To actively manage the company and its subsidiaries on a day to day basis and align operations with Board strategies.

Frequency of meetings:

Meetings are held monthly but more recently they were conducted on an ad hoc basis as and when required.

Every operational subsidiary has it own Exco and reports directly to the Chief Executive Officer

The Afdawn Group consists of a number of operating subsidiaries, segmented into:

- Investment advisory and investment management
- Micro finance
- Rental of properties in possession (sold in current year)
- Other, which include head office and the listed entity

The governance of the Group is set at Board level and a high standard is followed through to the Company level. Although all subsidiary companies have a common thread of specialised financial services, each requires their own expertise and therefore consists of separate management teams headed by a divisional CEO. Exco meetings are formally minuted and approved. The meetings deal with detailed operational events and practical solutions that are communicated to the Board.

The Board membership of all the subsidiary companies comprises a combination of the Exco members plus additional directors. There is therefore direct Exco representation on all subsidiary boards. The acting Chairman (and Chief Executive Officer) of Afdawn reports and is accountable to the Afdawn Board.

5. Company Secretary

The Company Secretary is responsible for assisting the Board with administration, application of information regarding the Act, JSE Listing Requirements, directors' responsibilities and powers. The Board is entitled to appoint and remove the Company Secretary. Statucor (Pty) Ltd is the Company Secretary of AfDawn. The Board has satisfied itself after a review, through discussion and assessment, the qualifications, experience and competence of the individuals employed by the Company Secretary.

The Board is satisfied that an arm's length relationship exists.

6. Audit and Risk Committee

Purpose:

To assist the Board in overseeing the integrity of the financial statements, the effectiveness of internal controls over financial reporting, to assess the independence and qualifications of the independent registered auditor, to ensure the Company's compliance with legal and regulatory requirements and assessing the expertise of the financial director.

Composition:

At the year end the committee consisted of:

HH Hickey (Chairman), V Lessing, SM Roper

The audit committee comprises three independent non-executive directors (HH Hickey, V Lessing and SM Roper). The committee is chaired by HH Hickey, who is a Chartered Accountant and highly skilled with extensive experience in various fields, with a strong risk and governance background. Due to the changes in the Companies Act and complexity of IFRS, specialised knowledge is needed from time to time and this is contributed by invitees attending meetings on an ad-hoc basis.

Frequency of meetings:

Meetings took place three times during the period, and a minimum of two meetings per year are required. The audit committee has an independent role with accountability to both the shareholders and the Board as per its terms of reference that were approved by the Board.
The committee does not assume the function of management which is vested in the executive directors, officers and members of the executive committee, but is notified of any material risks or disagreements with external auditors.

Corporate Governance continued

Audit and Risk Committee

	Meeting dates		
Committee member	11 May 2016	27 May 2016	13 February 2017
Hester Hickey (Chairperson)	Yes	Yes	Yes
Stephen Roper	Yes	Yes	Yes
Vanya Lessing	Yes	Yes	Yes

Roles and responsibilities

- Integrated and financial reporting

  - Review and comment on the annual financial statements, annual integrated report, annual condensed results, interim results, trading update announcement to ensure compliance with International Financial Reporting Standards, the JSE Listings Requirements and the Companies Act;
  - Review and approve the appropriateness of accounting policies, disclosures and the effectiveness of internal financial controls;
  - Perform a review of the Group's integrated reporting function and progress and consider factors and risks that could impact on the integrity of the Annual Report;
  - Recommend the Annual Report to the Board for approval.
  - Determine the levels of assurance required on integrated and financial reporting. It should be noted that Afdawn's focus for the year was on improving the Annual Financial Statements in order to improve the quality due to the issues noted during the year. The Integrated report will be a journey that the group will embark on over the next few years.

- Finance function

  - Consider the expertise and experience of the financial director;
  - Consider the expertise, experience and resources of the Group's finance function;
  - Consider the effectiveness of internal control over finance. External expertise was brought in to ensure that the skills were appropriate.

- Internal audit

Due to capital and resource constraints, the group does not have a separate internal audit function. The oversight of internal controls remained with the audit committee and the required testing and investigation was performed in-house by competent financial staff. A separate internal audit division with qualified internal auditor will be formalised and implemented when the group has the necessary capital and resources. The internal audit tasks remain with the audit committee for the time being until the internal audit department will take responsibility for all internal audit matters. An external expert were consulted during the year to assist with IFRS accounting.

- External audit

  - Act as a liaison between the external auditors and the Board;
  - Obtain information in order to satisfy itself as to the competency of the external auditors and then nominate for appointment by shareholders;
  - Consider the scope of audit and non-audit services which the external auditors may provide to the Group;
  - Review letters from auditors stating points of improvement or control deficiencies;
  - Approve the fees of the external auditors and assess their performance; and
  - Annually assess the independence of the external auditors.

- Risk management

There was no separate risk committee and the audit committee assumed the responsibility and tasks. The responsibilities include, ensuring that management's processes and procedures are adequate to identify, assess, manage and monitor, Company specific and Group risks;

Corporate Governance continued

The following risks received detail attention and mention:

- Financial / liquidity risks,
- Information technology risk
- Human resources risk
- Operational risk
- Legal/compliance risk
- Strategic risk

Managers are urged to identify, report and assist with mitigating controls and procedures to lower the risk to acceptable levels.

7. Risk Management

The Board is ultimately responsible for the management of risk. Due to the importance and need for good governance it is assisted by the audit committee. The management of risk has included a proactive approach through an implemented system of effective internal controls maintained and constantly improved by competent ethical managers. The management of risk relies on well-established governance processes and relies on both individual responsibility and collective oversight, supported by comprehensive reporting. The risk approach is one of strong corporate oversight, with the executives having proactive participation in managing the risks and are responsible for identifying and contributing to mitigating strategies to manage risk to an acceptable level. Risk management is seen as the responsibility of each and every employee.

The significant risks are formally communicated to the Board (via the audit committee), in minutes of meetings which monitors that risks taken are within acceptable tolerance and appetite levels. The risk appetite is the maximum residual risk that Afdawn is willing to take, the parameters being set by business strategies, business models, review and approving budgets, forecasts and monthly management packs.

Risks pertaining to the Group as a whole, but especially focused on liquidity, asset management, credit risk, market risk and human resources, are noted and managed on an in-house risk register presented at monthly Exco meetings.

The identified risks, their likelihood of occurrence, severity if occurred, mitigating control and the risk management outcome are discussed on a monthly basis. Risks are ranked and prioritised to ensure swift response and intervention to risks outside the Board's tolerance levels. Liquidity risks are managed on a short term, and long term basis ensuring pairing of known cash in and outflows, with predictions of expected cash flows. Credit risk is formally managed by the credit committee, who is tasked with managing advances in such a way to ensure repayment of capital plus earnings, and to assess the outstanding value with expected repayment and manage collections of outstanding debts.

8. Social and Ethics Committee

The Afdawn Social and Ethics Committee (the committee) was established in 2013. The committee assists the board in monitoring that the group maintains high levels of good corporate citizenship with all stakeholders and ensures that the business considers its social and environmental impact and performance.

The committee acts in terms of the delegated authority of the board and assists the directors in monitoring the group's activities relating to ethics, stakeholder engagement, including employees, customers, corporate social investment, environmental issues, and black economic empowerment.

The responsibilities of the committee are as follows:

- Monitor the group's activities relating to social and economic development, good corporate citizenship, the environment, and health and public safety;
- Draw matters relating to these activities to the attention of the board, as appropriate;
- Monitor functions required in terms of the Companies Act of South Africa and its regulations; and
- Report annually to shareholders on matters within the committee's mandate.

Committee members

The committee comprised the following members at the end of the reporting period:

Director	Designation
SM Roper (Chairperson)	Independent Non-executive

Application of principles in King III

As required by the JSE Listings Requirements, the full details of Afdawn's compliance with King III is available on the Company's website at www.afdawn.co.za however the following table discloses the area's in which Afdawn has partially or not applied the King III recommendations as well as an explanatory note outlining the reason in each case.

Board and directors

King III Principle	Explanatory note
The chairman of the board is an independent nonexecutive director	The independent Chairman resigned in the previous year.
A framework for the delegation of authority has been established .The board comprises a balance of power, with a majority of non executive directors who are independent	The majority of the board comprises non-executive directors. The board will consider the appropriate time to appoint an independent non-executive chairman.
Evaluations are done informally.	Evaluations are done informally.

Audit committee

King III Principle	Explanatory note
Oversees integrated reporting	An integrated report is not prepared. The audit committee oversees the annual financial statements.
A combined assurance model is applied to improve efficiency in assurance activities	A combined assurance model is not fully implemented. The audit and risk committee does however place reliance on the inputs of management and assurance from the external auditors. As indicated below, the Company does not have a separate internal audit function.
Oversees internal audit	See internal audit below.

Governance of risk

King III Principle	Explanatory note
The board receives assurance regarding the effectiveness of the risk management process	The Group has not complied with this principle in full due to not having an internal audit function. Reports from management to the Board and audit committee provide a balanced assessment of the key risks facing the Group. The board constantly focuses on the critical risks facing the organisation during these challenging times.
Sufficient risk disclosure to stakeholders	The Board has disclosed and discharged its views and responsibility on the effectiveness of the Group's risk management process in the statement of responsibilities of directors in the Group's annual financial statements and furthermore discloses the risks facing the Group and the mitigating actions that will either reduce the probability or lessen the impact thereof.

Application of principles in King III continued

Governance of information technology

King III Principle	Explanatory note
The board monitors and evaluates significant IT investments and expenditure	The Board, through the audit committee, oversees the proper value delivery of IT and monitors that the expected return on investment are derived and protected.

Internal audit

King III Principle	Explanatory note
The board ensures that there is an effective risk-based internal audit	Due to capital and resource constraints, the Company does not have a separate internal audit function. The oversight of internal control remained with the audit committee and the required testing and investigation was performed in-house by competent financial staff or external consultants as required. A separate internal audit division with a qualified internal auditor will be formalised and implemented when the group has the necessary capital and resources. The internal audit tasks remain with the audit committee for the time being until the internal audit department will take responsibility of all internal audit matters. The external expert utilised to value the Elite debtors book and the IFRS consultant are examples of this.
Internal audit follows a risk-based approach to its plan	
Internal audit provides a written assessment of the effectiveness of the company's system of internal controls and risk management	
The audit committee is responsible for overseeing internal audit	
Internal audit should be strategically positioned to achieve its objectives	

Integrated reporting and disclosure

King III Principle	Explanatory note
The board ensures the integrity of the company's integrated report	The company does not prepare an integrated report. It prepares annual financial statements.
Sustainability reporting and disclosure should be integrated with the company's financial reporting	The company does not prepare an integrated report. It prepares annual financial statements.
Sustainability reporting and disclosure should be independently assured	The Board has decided that there would be no further third-party assurances in respect of the Group's annual report, other than that of the independent auditors. The contents of the report have been reviewed by the audit committee and approved by the Board.

The annual financial statements are reviewed by the audit committee and recommended to the board.

Annual Financial Statements

For the year ended 28 February 2017

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

Preparer

Dylan Kohler

Professional Accountant (SA)

Issued

31 May 2017

Level of Assurance

Level of assurance

These Annual Financial Statements have been audited in compliance with the International Standards of Auditing. The preparation of the annual financial statements was supervised by:

G Hope CA(SA)
Chief Financial Officer

Preparer

Dylan Kohler Professional Accountant (SA) Consultant

Audit Committee Report

Annual Financial Statements for the year ended 28 February 2017

Introduction

The Audit Committee ("the Committee") has pleasure in submitting its report, as required by section 94 of the Companies Act, 2008, as amended, and by the JSE Listings Requirements. The committee acts for the Company and all its subsidiaries and is accountable to the Shareholders and the Board. It operates within its documented charter and complies with all relevant legislation, regulation and executes its duties in terms of substantially all the King III requirements.

The committee was appointed by the AGM on the October 2016.

1. Audit committee report

The Committee continues to focus on ensuring effective operation, through sound control and compliance. In the period under review the Committee has focused its attention on the critical risks facing the group and sustainability of the group. It has been another difficult year and cash flow was a particular problem with the directors assisting the company to remain liquid. The controls that were implemented to ensure the debtor's book is appropriately valued were once again reviewed and the board and audit committee believe they have the appropriate assurance that the results as audited are appropriate. The company does not have an internal audit function and the policy is to obtain external specialists to review areas of concern. The consultants employed during the year related to legal expertise to assist with the taxation issues, preparation of the circular and related matters around business decisions affecting the assets. The uncertainty in relation to the SARS submission process still remains and the Audit Report contains the same emphasis of matter as in the previous year.

The Committee and the Board have regular discussions to monitor and discuss both the progress and implications of this process and believe that the past problems have been adequately resolved.

The Committee assures shareholders that it continues to take all the steps necessary to ensure the appropriate process is being followed to prevent any further problems from arising.

The Committee has reviewed the going concern assessment on which the Board has confirmed that it concludes that the group and the company are both going concerns. The Committee agrees that this conclusion is appropriate and that the basis of accounting for the group and the company as a going concern is appropriate. There are still some tough times ahead for the group but the committee is confident that the business is sustainable at least for the next twelve months.

Purpose

The main purpose of the committee is to assist the Board in the oversight of:

- the integrity of the financial statements;
- the effectiveness of internal control over financial reporting;
- independence and qualification of the independent registered auditor;
- the company's compliance with legal and regulatory requirements; and
- approving the expertise of the financial director

2. Composition of the Audit Committee

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

Name	Qualification
Ms. HH Hickey	CA(SA)
Ms. V Lessing	
Mr. SM Roper	CA(SA)

The Committee meetings were attended by invitees throughout the period. All the directors were invited to attend the meetings. The Financial Director was required to attend. The committee is satisfied that the members thereof have the required knowledge and experience as set out in Section 94(5) of the Companies Act of 2008 and Regulation 42 of the Companies Regulation, 2011.

Audit Committee Report

Annual Financial Statements for the year ended 28 February 2017 continued

3. Meetings held by the Audit Committee

The audit committee performs the duties laid upon it by Section 94(7) of the Companies Act of 2008 by holding meetings with the key role players on a regular basis and by the unrestricted access granted to the external auditors. Afdawn held three Audit Committee meetings during the period. The attendance of the meetings is set out below:

Member / Invitee	2016/05/11	2016/05/27	2017/02/13
HH Hickey (Chairman)	Yes	Yes	Yes
V Lessing	Yes	Yes	Yes
SM Roper	Yes	Yes	Yes
WJ Groenewald #	Yes	Yes	Yes
G Hope #	Yes	Yes	Yes

 # - invitee

4. External auditor

The Committee nominated Grant Thornton Cape Inc. ("Grant Thornton") for reappointment as external auditors of Afdawn. The Committee satisfied itself through enquiry that the external auditors, Grant Thornton and Mr Imtiaaz Hashim, the designated auditor, are independent as defined by the Companies Act and as per the standards stipulated by the auditing profession. The Audit 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 for the 2017 financial year end, taking into consideration such factors as the timing of the audit, the extent of the work required and the scope. The Committee approved a non-audit services policy which determines the nature and extent of any non-audit services which Grant Thornton may provide to the company. The policy allows for limited tax and corporate governance advice.

5. Financial statements

The committee has evaluated the group financial statements for the year ended 28 February 2017 and, based on the information provided, the committee considers that the group complies in all material respects, with the requirements of the Companies Act, International Financial Reporting Standards (IFRS) and the Listing Requirements of the JSE. The requirements of King III are continuously being assessed and improved on with significant issues resolved. The group substantially complies with the requirements of King III except in respect of those principals highlighted in the corporate governance report.

6. Accounting practices and internal control

Based on the available and communicated information, together with discussions with the independent external auditor, the committee is satisfied that there was no material breakdown in the internal accounting controls during the financial year under review. The Committee reviewed the auditor's management letter and can report that there were no material issues requiring immediate additional attention. The value added issues raised are receiving the appropriate attention to ensure increased effectiveness in all areas of financial and business systems and controls.

7. Financial director

Mr. G Hope was appointed as CFO on 11 January 2016. The audit committee has assessed and is satisfied that the Financial Director has the appropriate skill, expertise and experience as required, and is satisfied that the internal financial controls of the company are working effectively.

The committee has also evaluated the financial capability of the finance team and believes that the appropriate skill, expertise and experience resides in the financial function.

8. Company Secretary

The Audit Committee has evaluated the Company Secretary and are satisfied that the level of the secretary's experience, expertise and independence are in line with JSE requirements.

On behalf of the audit committee.

HH Hickey
Chairman Audit Committee Johannesburg

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act 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 of 2008. The external auditors are engaged to express an independent opinion on the financial statements.

The financial statements are prepared in accordance International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, the Johannesburg Stock Exchange ("JSE") Listings Requirements, the requirements of the South African Companies Act and the SAICA financial reporting guidance as issued by the Accounting Practices Committee. The financial statements are prepared using appropriate accounting policies which are 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 place 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 external auditors are responsible for independently auditing and reporting 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 24 to 27.

The financial statements set out on pages 28 to 88 and the directors' report which is set out on pages 28 to 30, which have been prepared on the going concern basis (refer to note 1.18), were approved by the board on 5 June 2017 and were signed on its behalf by:

WJ Groenewald

G Hope

Cape Town
5th June 2017

Group Secretary's Certification

Declaration by the group secretary in respect of Section 88(2)(e) of the Companies Act of 2008

AFRICAN DAWN CAPITAL LIMITED
REGISTRATION NUMBER 1998/020520/06

REPORT BY THE COMPANY SECRETARY

We, in our capacity as Company Secretary, hereby certify, in terms of S88(2)(e) of the Companies Act 71 of 2008, as amended (the Act), that for the year ended 28 February 2017, the Company has lodged with the Commissioner all such returns as are required in terms of the Act, and that all such returns are, to the best of our knowledge and belief, true, correct and up to date.

COMPANY SECRETARY
STATUCOR (PTY) LTD
Per: A Rich

7 June 2017

Statucor
COMPLIANCE • GOVERNANCE • SECRETARIAL

Independent Auditor's Report

To the shareholders of African Dawn Capital Limited

Independent Auditor's Report
To the shareholders of
African Dawn Capital Limited

Report on the financial statements

Opinion

We have audited the consolidated and separate financial statements of African Dawn Capital Limited (the group) set out on pages 31 to 88 , which comprise the statements of financial position as at 28 February 2017, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group as at 28 February 2017, and its consolidated and separate financial performance and consolidated and separate 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 Consolidated and Separate Financial Statements section of our report. We are independent of the group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to the directors report in the financial statements, which indicates that the Company and the Group incurred a net loss of R6,910m and R12,188m respectively during the year ended 28 February 2017. As stated in Note 1.18, these events or conditions, along with other matters indicate that a material uncertainty exists that may cast significant doubt on the Company's and Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Material Uncertainty related to Going Concern section, we have determined the matters below to be key audit matters to be communicated in our report. The following key audit matters relate to the consolidated financial statements

Key audit matter

Impairment of non-financial assets

Goodwill and other intangible an assets arise as a result of acquisitions by the Group. The directors conducted their annual impairment test to assess the recoverability of the goodwill and consider whether there are indicators of impairment with respect to other intangible assets. In order to establish whether an impairment exists, fair value less costs to sell or the value in use is determined and compared to the net book value of the goodwill and other intangible assets.

As detailed in note 4 this determination of an impairment is highly subjective as significant judgement is required by the directors in determining the fair value less costs to sell or the value in use as appropriate. The value in use is based on the cash flow forecast model for each cash-generating unit and requires the estimation of model assumptions, most importantly the discount rate and growth rate. Accordingly, due to the high estimation uncertainty, the impairment assessment of these assets is considered to be a key audit matter.

Independent Auditor's Report

To the shareholders of African Dawn Capital Limited continued

A R3,397m impairment of the goodwill attributable to the acquisition of Knife Capital Proprietary Limited was accounted for in the statement of comprehensive income (disclosed in note 4). There were no impairments recognised with respect to the other intangible assets.

Fair value assessment of trade receivables

Trade receivables comprise a significant portion of the liquid assets of the group.

Accordingly, the estimation of the allowance for trade receivables is a significant judgement area and is therefore considered a key audit matter.

How our audit addresses the key audit matter

We focused our testing of the impairment of goodwill and other intangible assets on the key assumptions made by the directors. Our audit procedures included:

- Critically evaluating the determination of the cash-generating units;
- Evaluating whether the model used to calculate the fair value less costs to sell and value in use of the individual cash-generating units complies with the requirements of IAS36: Impairment of Assets;
- Validating the assumptions applied and inputs in the respective models by comparing it to historical information and approved budgets; and
- Subjecting the key assumptions to sensitivity analysis.

We also focused on the adequacy of the Group's disclosure about these assumptions to which the outcome of the annual impairment test is most sensitive, that is, those that have the most significant effect on the determinations of the recoverable amount of goodwill.

We assessed the valuation of material long outstanding receivables by obtaining management's assessment and policy. The assessment of the appropriateness of the allowance for trade receivables comprised challenging the appropriateness and reasonableness of the assumptions applied in the directors' assessment of the receivable allowancee.

Other information

The directors are responsible for the other information. The other information comprises all information included in the Annual Report, including the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

Independent Auditor's Report

To the shareholders of African Dawn Capital Limited continued

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

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate 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 consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate 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 / or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial
- statements, including the disclosures, and whether the consolidated and separate 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 consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate 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.

Independent Auditor's Report

To the shareholders of African Dawn Capital Limited continued

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Grant Thornton Cape Inc. has been the auditor of African Dawn Capital Limited for three years and Grant Thornton Johannesburg has been the auditor of African Dawn Capital Limited for the previous 5 years.

Grant Thornton Cape

GRANT THORNTON CAPE INC
Registered Auditors
Practice number: 970879-0000
I Hashim
Director
Registered Auditor
Chartered Accountant (SA)
22 June 2017

3RD Floor, The Village at Horizon, Corner of Sonop and Ontdekkers Roads,
Horizon View, 1724, Gauteng

Directors' Report

The directors have pleasure in submitting their report on the financial statements of Afdawn for the year ended 28 February 2017.

1. Review of activities

General information

Nature of business

Afdawn was formed in 1998 as a micro finance company which, following its listing on the Alternative Exchange of the JSE in 2004, grew into a niche finance provider. The Group, through its wholly owned subsidiaries, Elite and Elite Two, provides unsecured personal loans (micro finance).

In 2013, Afdawn Group changed its focus and became an active investment holding company that acquires shares in entrepreneurial companies that have a strong innovation drive and are in a proven growth phase and enhances the capabilities of these entities to accelerate long term sustainable growth. This change of focus began with the acquisition of 100% of Knife Capital Group in March 2014.

Group details

The Group's place of domicile and country of incorporation is the Republic of South Africa and it has an AltX listing on the JSE Limited.

The registered office and principal place of business; is 2nd Floor, Waterfront Terraces, Tygervalley Waterfront, 7530, Cape Town.

Information relating to the subsidiaries of the company is in note 6.

Review of operations

The operating results and the state of affairs of the Group are fully set out in the attached statements of financial position, statements of profit or loss and other comprehensive income, statements of changes in equity, statements of cash flows and the notes thereto.

The group's loss attributable to shareholders amounted to (R12.18m)(2016: (R6.91) million). The Net Asset Value decreased to R10,3 million.

2. Going concern

The consolidated and separate financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The material uncertainties relating to events or conditions which may cast doubt upon the ability to continue as a going concern are outlined in note 1.18.

3. Contingencies

There are various contingencies at the reporting date. Refer to note 32.

4. Major transactions, events and disclosure changes

The major transactions and events during the year were:

- Candlestick Transaction - refer to notes 1.18, 15 and note 36
- Elite Transaction – refer to note 1,18 and note 36
- SARS – refer to note 1,18 and note 12
- Related party transactions note 33

5. Events after the reporting period

There are various events after the reporting period. Refer to note 36.

Directors' Report

continued

6. Directors

The directors in office at the date of this report are as follows:

Directors	Office	Designation
WJ Groenewald	Chief Executive Officer (CEO) and acting Chairperson	Executive
Graham Hope	Chief Financial Officer (CFO)	Executive
V Lessing		Independent non-executive
HH Hickey	Chair audit committee	Independent non-executive
SM Roper		Independent non-executive

7. Meetings held by the board:

Member	2016/05/27	2016/10/18	2017/02/13
HH Hickey	Yes	Yes	Yes
V Lessing	Yes	Yes	Yes
SM Roper	Yes	Yes	Yes
WJ Groenewald	Yes	Yes	Yes

8. Directors' interests in shares

As at 28 February 2017, the directors of the company held direct and indirect beneficial interests in 5.4% (2016: 17.1%) of its issued ordinary shares, as set out below.

Interests in shares

	2017 Direct	**2016 * Direct**	**2017 Indirect**	**2016 * Indirect**
WJ Groenewald	3,952	3,952	1,151,240	1,151,110
G Hope	58,750	58,750	-	-
	62,702	**62,702**	**1,151,240**	**1,151,110**

* The number of shares has been restated for comparative reasons. The company did a share consolidation on the 29 November 2016 at 1 share for every 40 shares held.

At the date of this report, the directors of the company held direct and indirect beneficial interests in the company as indicated per the table below:

2017	Direct	Indirect	Total	% Held
WJ Groenewald	3,952	1,151,240	1,155,192	5.3
G Hope	58,750	-	58,750	0.1
	62,702	**1,151,240**	**1,213,942**	**5.4**

There was no change in the director's interest between year end and the date of this report.

Directors' Report

continued

9. Borrowing limitations

In terms of the Memorandum of Incorporation of the company, the directors may exercise all the powers of the company to borrow money, as they consider appropriate.

10. Special resolutions

The special resolutions set out below were passed at a General Meeting and the Annual General Meeting ("AGM") held on 18 October 2016. All special resolutions were accepted and passed.

- Approval of the transactions to the extent required under section 112 and 115 of the Companies Act
- Consolidation of Shares
- Amendment of the Memorandum of Incorporation
- Approval of non-executive directors' remuneration
- General authority to acquire own shares
- Loans or other financial assistance to directors or related or inter-related companies within the group

11. Auditors

We will recommend to the shareholders that Grant Thornton Cape Inc. will continue in office as auditors of Afdawn or The Group in terms of the Companies Act of 2008.

12. Secretary

The independent company secretary at the year-end is Statucor (Pty) Ltd whose address is as follows:

2nd floor, Block D
The Boulevard Office Park Searle Street
Woodstock 7925

The Audit Committee has evaluated the Company Secretary and are satisfied that the level of the secretary's experience, expertise and independence are in line with JSE requirements.

13. Dividends

No dividends were declared or paid to shareholders' during the period Rnil (2016: Rnil).

14. Shares

Consolidations of Shares was approved by 98.72% of the shareholders at General Meeting on 18 October 2016.

15. Registered office

The company's registered office is: 2nd Floor
Waterfront Terraces
Tygervalley Waterfront 7530

Statement of Financial Position as at 28 February 2017

		Group		Company	
	Notes	2017	2016	2017	2016
		R'000	R'000	R'000	R'000
Assets					
Non-Current Assets					
Property, plant and equipment	3	605	879	70	129
Goodwill	4	4,679	8,076	-	-
Intangible assets	5	3,775	5,155	-	-
Investments in subsidiaries	6	-	-	15,877	15,877
Deferred tax	8	697	381	-	-
		9,756	**14,491**	**15,947**	**16,006**
Current Assets					
Other financial assets	7	-	312	-	-
Properties in possession	9	15,853	18,247		-
Loans to group companies	10	-	-	25,216	26,723
Trade and other receivables	11	31,193	35,981	114	107
Cash and cash equivalents	13	1,983	3,005	78	788
		49,029	**57,545**	**25,408**	**27,618**
Total Assets		**58,785**	**72,036**	**41,355**	**43,624**
Equity and Liabilities					
Equity					
Share capital and share premium	14	313,943	313,943	313,943	313,943
Accumulated loss		(303,630)	(291,442)	(298,388)	(291,738)
		10,313	**22,501**	**15,555**	**22,205**
Liabilities					
Non-Current Liabilities					
Deferred tax	8	758	1,125	-	-
Borrowings	15	6,316	7,829	-	-
		7,074	**8,954**	**-**	**-**
Current Liabilities					
Loans from group companies	10	-	-	6,927	6,929
Current tax payable	12	16,280	15,054	8,673	8,220
Borrowings	15	9,475	12,524	-	
Finance lease liabilities	16	-	19	-	-
Loans from directors	18	1,523	487	1,523	487
Operating lease liability	19	5	28	5	28
Trade and other payables	20	14,115	12,469	8,672	5,755
		41,398	**40,581**	**25,800**	**21,419**
Total Liabilities		**48,472**	**49,535**	**25,800**	**21,419**
Total Equity and Liabilities		**58,785**	**72,036**	**41,355**	**43,624**

Statement of Profit or Loss and Other Comprehensive Income

	Notes	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
Operations					
Revenue	22	36,991	37,329	1,679	811
Cost of sales		(366)	(839)	-	-
Gross profit		36,625	36,490	1,679	811
Other income	23	1,387	3,910	-	2,092
Operating expenses		(44,880)	(42,836)	(7,475)	(8,729)
Operating loss	24	**(6,868)**	**(2,436)**	**(5,796)**	**(5,826)**
Investment income	25	84	346	1	256
Profit/(loss) on fair value movement of contingent consideration liability	1.18	-	2,000	-	2,000
Impairment of goodwill	4	(3,397)	-	-	-
Reduction in liability to Nexus	21	2,162	-	-	-
Deemed interest expense	26	(585)	(552)	-	(92)
Impairment to properties in possession	9	(971)	(3,284)	-	-
Finance costs	27	(3,245)	(3,018)	(855)	(585)
Loss before taxation		**(12,820)**	**(6,944)**	**(6,650)**	**(4,247)**
Taxation	28	632	34	-	-
Loss from Operations		**(12,188)**	**(6,910)**	**(6,650)**	**(4,247)**
Loss attributable to:					
Owners of the parent:					
Operations		(12,188)	(6,910)	(6,650)	(4,247)
		(12,188)	**(6,910)**	**(6,650)**	**(4,247)**
Earnings per share from operations					
Basic and diluted loss per share (c) - restated	39	(55.6)	(31.6)	-	-

Statement of Changes in Equity

Group	Share Capital	Share Premium	Total Share Capital	Accumulated loss	Total equity
	R'000	R'000	R'000	R'000	R'000
Balance at 01 March 2015	8,803	305,140	313,943	(284,532)	29,411
Total comprehensive loss for the year	-	-	-	(6,910)	(6,910)
Total contributions by and distributions to owners of company recognised directly in equity	8,803	305,140	313,943	(291,442)	22,501
Balance at 28 February 2016	8,803	305,140	313,943	(291,442)	22,501
Total comprehensive loss for the year				(12,188)	(12,188)
Balance at 28 February 2017	8,803	305,140	313,943	(303,630)	10,313
Note(s)	14	14	14		

Company	Share Capital	Share Premium	Total Share Capital	Accumulated loss	Total equity
Balance at 01 March 2015	8,803	305,140	313,943	(287,491)	26,452
Total comprehensive loss for the year	-	-	-	(4,247)	(4,247)
Total attributable to owners of company recognised directly in equity	8,803	305,140	313,943	(291,738)	22,205
Balance at 28 February 2016	8,803	305,140	313,943	(291,738)	22,205
Total comprehensive loss for the year				(6,650)	(6,650)
Balance at 28 February 2017	8,803	305,140	313,943	(298,388)	15,555
Note(s)	14	14	14		

Statement of Cash flows

	Notes	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
Cash flows from operating activities					
Cash generated by/(used in) operations	30	4,836	3,490	(2,573)	(7,769)
Interest income	25	84	346	1	256
Finance costs – excluding SARS interest on income tax	27	(2,403)	(2,080)	(401)	-
Tax paid	31	322	(1,307)	-	-
Net cash from operating activities		**2,839**	**449**	**(2,973)**	**(7,513)**
Cash flows from investing activities					
Purchase of property, plant and equipment	3	(44)	(570)	-	-
Proceeds on disposal of property, plant and equipment		31	248	-	3
Purchase of intangible assets	5	(303)	(346)	-	-
Proceeds from loans from group companies	10	-	-	1,229	173
Repayment of loans from group companies	10	-	-	(2)	(3)
Net cash from investing activities		**(316)**	**(668)**	**1,227**	**173**
Cash flows from financing activities					
Borrowings repaid	15	(4,562)	(11,280)	-	(1,750)
Finance lease payments	16	(19)	(163)	-	-
Directors loans raised/(repaid)	18	1,036	(730)	1,036	(730)
Net cash from financing activities		**(3,545)**	**(12,173)**	**1,036**	**(2,480)**
Total cash movement for the year		(1,022)	(12,392)	(710)	(9,820)
Cash at the beginning of the year		3,005	15,397	788	10,608
Total cash at end of the year	13	**1,983**	**3,005**	**78**	**788**

Accounting Policies

1. Accounting Policies

1.1 Summary of accounting policies

The consolidated financial statements of the group have been prepared in accordance with International Financial Reporting Standards (IFRS), the requirements of the Companies Act of 2008 and the JSE Listing Requirements and Financial reporting pronouncements as issued by the FRSC, SAICA financial reporting Guidelines as issued by the APC.

The consolidated financial statements have been prepared using the historical cost convention, as modified for certain items measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods or services. The principal accounting policies applied in the preparation of these consolidated financial statements are set out in this note. These policies have been consistently applied to all the years presented, unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas that involve a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 1.18.

1.2 Changes in accounting policies and basis of preparation

No standards, interpretations and amended standards have been adopted during the year.

1.3 Basis of consolidation

Subsidiaries

Subsidiaries are those entities that are controlled by the Group. Subsidiaries include structured entities that are designed so that its activities are not governed by way of voting rights.

Control

The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The group considers all facts and circumstances relevant to its involvement with an entity to evaluate whether control exists and assesses any changes to the facts and circumstances relevant to the entity and reassesses the consolidation requirements on a continuous basis.

Changes in ownership interest in subsidiaries without change in control

Transactions with non-controlling interests that do not result in the loss of control are accounted for as transactions with the owners in their capacity as owners. The difference between the fair value of any consideration paid or received and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity.

Company - separate financial statements

Investments in group companies are accounted for at cost less impairment losses in the company financial statements. The carrying amounts of these investments are reviewed annually and impaired when necessary by applying policy described in policy note 1.11.

Business combinations

The Group applies the acquisition method to account for business combinations. Consideration
The consideration transferred for the acquisition of a subsidiary is the sum of the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Contingent consideration

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be a financial instrument is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Accounting Policies continued

Provisional accounting

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete.

Where provisional amounts were reported, these are adjusted during the measurement period (see below). Additional assets or liabilities are recognised to reflect any new information obtained about the facts and circumstances that existed at the date of acquisition, which, if known, would have affected the amounts recognised on that date.

The measurement period is the period from the date of acquisition to the date the group receives complete information about the facts and circumstances that existed at the acquisition date. This measurement period is subject to a maximum of one year after the acquisition date.

1.4 Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint arrangements. Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investments the carrying amount of goodwill is included in the carrying amount of the investment.

Amortisation and impairment

Goodwill is not amortised, but is tested for impairment at least once a year. Any impairment loss is recognised immediately in profit or loss and is not subsequently reversed.

1.5 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee, all other leases are classified as operating leases.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. The discount rate used in calculating the present value of the minimum lease payments, is the interest rate implicit in the lease. The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases - lessor

Rental income (net of any incentives given to lessees) is recognised on a straight line basis over the lease term. The difference between the amounts recognised as income and the contractual amounts are recognised as an operating lease asset. This asset is not discounted. Any contingent rents are recognised in the period they are incurred by the lessee.

Afdawn Group is a lessor on operating leases related to properties in possession (refer to note 1.13 and 9). All leases are for a maximum of 1 year and are subject to annual renegotiation therefore there is no operating lease asset.

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 liability. This liability is not discounted. Any contingent rents are expensed in the period they are incurred.

1.6 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Accounting Policies continued

1.7 Employee benefits

Short-term employee benefits

The Group provides only short-term employee benefits. There are no post retirement employee benefits.

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

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

1.8 Income taxes Tax expense

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement.

Current taxation

Current taxation is the expected tax payable on the taxable income for the year, using taxation rates enacted or substantively enacted at the reporting date, and any adjustment to taxation payable in respect of previous years (prior- period tax paid).

Deferred tax

Deferred taxation is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred taxation is recognised in profit or loss for the period, except to the extent that it relates to a transaction that is recognised directly in equity or in other comprehensive income, or a business combination that is accounted for as an acquisition.

Deferred taxation assets are recognised to the extent that it is probable that future taxable income will be available against which the unutilised taxation losses and deductible temporary differences can be used. Deferred taxation assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related taxation benefits will be realised.

Deferred taxation assets and liabilities are offset if there is a legally enforceable right to offset current taxation liabilities against current taxation assets, and they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different taxation entities, but they intend to settle current tax liabilities and assets on a net basis or their taxation assets and liabilities will be realised simultaneously.

1.9 Property, plant and equipment

Property, plant and equipment is carried at historical cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, to their residual values. The straight-line method is used and the estimated useful lives are as follows:

Property, plant and equipment

Item	Depreciation method	Average useful life
Furniture and fixtures	Straight line	4 - 6 years
IT equipment	Straight line	3 - 5 years
Leasehold improvements	Straight line	Length of leases
Motor vehicles	Straight line	5 years
Office equipment	Straight line	3 - 5 years
Telephone equipment	Straight line	5 years

Leased assets are depreciated at the shorter of the useful life or the period of the lease.

Accounting Policies continued

The depreciation method, residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

If the recoverable amount is less than the carrying amount then the carrying amount is impaired in line with policy 1.11.

1.10 Intangible assets

Intangible assets acquired in a business combination - contracts with clients

Contractual client relationships acquired in a business combination are recognised at fair value at the date of acquisition. The contractual client relationships have a finite useful life and are carried at cost less accumulated amortisation. The useful lives of these client relationships are reviewed on an annual basis. Amortisation is calculated using the straight-line method over the expected life of the client relationship.

Computer software - internally generated

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the criteria are met.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Subsequently these intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

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

Item	Average useful life
Micro finance software	5 years
Intangible assets recognised on Knife Capital Group	Period of contract between 3 - 6 years

The amortisation method, residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

1.11 Impairment testing of goodwill, intangible assets and subsidiaries and property, plant and equipment

The carrying amounts of the group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Goodwill and intangible assets that are not ready for use are tested annually for impairment and when an indicator for impairment exists. Intangible assets that are subject to amortisation and other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher amount of an asset's fair value less cost of disposal and value in use. Fair value less cost of disposal is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset.

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. For the purposes of assessing impairment, assets that cannot be tested individually are grouped at the lowest levels for which there are separately identifiable cash inflows from continuing use (cash-generating units). Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed.

Accounting Policies continued

In respect of other non-financial assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed through profit or loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.12 Provisions, contingent assets and liabilities

Recognition

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required and amounts can be estimated reliably.

Measurement

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, taking into account the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Where the effect of discounting is material, the provision is discounted. The discount rate reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Gains from the expected disposal of assets are not taken into account in measuring provisions.

Provisions are reviewed at each reporting date and adjusted to reflect the current reasonable estimate. If it is no longer probable that an outflow of resources will be required to settle the obligation, the provision is reversed.

Reimbursements

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by a party outside the group, the reimbursement is recognised when it is virtually certain that it will be received if the group settles the obligation. The reimbursement is recorded as a separate asset at an amount not exceeding the related provision. The expense for the provision is presented net of the reimbursement in profit or loss.

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the group from a contract are lower than the unavoidable cost of meeting the obligations under the contract.

Restructuring

A provision for restructuring is recognised when the group has a detailed formal plan for restructuring and has raised a valid expectation, among those parties directly affected, that the plan will be carried out, either by having begun implementation or by publicly announcing the plan's main features. Restructuring provisions include only those costs that arise directly from restructuring that is not associated with the ongoing activities of the group.

Future costs

Future operating costs or losses are not provided for.

1.13 Properties in possession

Repossessed properties acquired in exchange for loans as part of an orderly realisation are reported in property in possession under the inventory assets class, as they are held for sale in the ordinary course of business. The repossessed properties are recognised when the risks and rewards of the properties have been transferred to the group. The corresponding loans are derecognised when the group becomes the owner of the property. The property acquired is initially recorded at cost which is the lower of its fair value (less costs to sell) and the carrying amount of the loan (net of impairment) at the date of transferring ownership. It is subsequently measured at the lower of the carrying amount and its net realisable value. Any subsequent write down of the acquired property to net realisable value is recognised in profit/(loss). Any subsequent increase in the net realisable value, to the extent that it does not exceed the cumulative write down, is also recognised in profit/(loss). Gains or losses on disposal of repossessed properties are reported in other operating income or operating expenditure.

Accounting Policies continued

1.14 Revenue

Revenue comprises:

- Interest income;
- Non-interest income (administration fees);
- Income from the rendering of services;
- Insurance income;
- Sundry income (rental income from properties in possession);
- Investment income; and
- Dividend income

Revenue excludes value-added tax. Revenue is measured at the fair value of consideration received or receivable, excluding sales taxes, and reduced by any rebates and trade discounts allowed.

The Group applies the revenue recognition criteria set out below to each separately identifiable component of the sales transaction. The consideration received from these multiple-component transactions is allocated to each separately identifiable component in proportion to its relative fair value.

Interest income

Interest income is accrued on a yield to maturity basis by reference to the principal outstanding and the interest rate applicable. Interest income is recognised in profit or loss using the effective-interest method taking into account the expected timing and amount of cash flows.

Where the group advances interest-free loans, the interest income is accrued on a yield to maturity basis using an imputed interest rate, taking into account the risk rating of the customers to whom these loans are granted.

In instances where a loan is in arrears for greater than 2 months, an assessment is made regarding the recoverability of the loan or group of loans and if necessary, based on available evidence at that date, the accrual of interest from that date is partially or fully suspended and not recognised in profit or loss until recovery is highly likely or actually recovered.

Non-interest income

Non-interest income consists primarily of administration fees on loans and advances. Administration fees charged consist of two components:

* Origination fees on loans granted

These fees are charged upfront, are capitalised into the loan, and are primarily based on the cost of granting the loan to the individual. In accordance with IAS 18 - Revenue, these origination fees are considered an integral part of the loan agreement and are therefore recognised as an integral part of the effective interest rate and are accounted for over the shorter of the original contractual term and the actual term of the loan using the effective interest rate method.

The deferred portion of the fees is recorded in the statement of financial position as a provision for deferred administration fees. The group does not defer any related operating costs, as these are all internal costs which are not directly attributable to individual transactions and as such are primarily absorbed infrastructure costs.

* Monthly service fees

These are fees which form an integral part of the effective interest rate and are charged to the customers on a monthly basis. These fees are recognised as part of the effective interest rate over the shorter of the original contractual term and the actual term of the loans and receivables.

Beyond the original contractual term of the loan, the fee is recognised in profit or loss as it is charged to the customer on a monthly basis.

While both these components are regarded as integral parts of the effective interest rate, they are not accounted for as interest income, but as non-interest income.

Accounting Policies continued

Rendering of services

The Group generates revenues from consulting and advisory services. Consideration received for these services is initially deferred, included in other liabilities, and is recognised as revenue in the period when the service is performed.

The Group determines the stage of completion by considering both the nature and timing of the services provided and its customer's pattern of consumption of those services, based on historical experience. Where the promised services are characterised by an indeterminate number of acts over a specified period of time, revenue is recognised on a straight- line basis. Revenue from consulting services is recognised when the services are provided by reference to the contract's stage of completion at the reporting date using percentage complete method.

Rental income

The Group earns rental income from properties in possession. Rental income is recognised on a straight-line basis over the term of the lease.

Investment income

Investment income relates to interest earned on cash and cash equivalents and is recognised on the same basis as interest income as outlined above.

Dividend income

Dividend income is recognised when the right to receive payment is established on the ex-dividend date for equity instruments and is included in dividend income under non-interest revenue. Dividend income is recognised separately from other fair value movements.

1.15 Financial instruments

Financial instruments, as reflected on the statement of financial position, include all financial assets, financial liabilities, and equity instruments. They exclude prepayments, deferred income, investments in subsidiaries, investments in associates, property and equipment, deferred taxation, taxation receivable / payable, provisions, intangible assets and goodwill.

Financial instruments are accounted for under IAS 32 - Financial Instruments: Presentation and IAS 39 - Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures.

The Group has the following financial instruments:

- Other financial assets
- Loans to group companies
- Trade receivables
- Other receivables
- Cash and cash equivalents
- Borrowings
- Loans from group companies
- Loans from directors
- Trade payables
- Other payables

All disclosures required by IFRS 7 can be found in note 35.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are stated at cost which approximates fair value due to the short-term nature of these instruments.

Financial liabilities

A financial liability (or group of financial liabilities) or a part of a financial liability (or part of a group of financial liabilities) is derecognised when and only when the liability is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

Accounting Policies continued

The difference between the carrying amount of a financial asset or financial liability (or part thereof) that is derecognised and the consideration paid or received, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss for the period.

Initial measurement

Financial instruments that are categorised and designated at initial recognition as being at fair value through profit or loss are recognised at fair value. Transaction costs, which are directly attributable to the acquisition or on issue of these financial instruments, are recognised immediately in profit and loss.

Financial instruments that are not carried at fair value through profit or loss are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

Classification

Financial assets are classified into the following categories:

- Financial assets at fair value through profit or loss;
- Held-to-maturity investments;
- Loans and receivables; and
- Available-for-sale financial assets.

Financial liabilities are classified into the following categories:

- Financial liabilities at fair value through profit or loss; and
- Financial liabilities at amortised cost.

The Group has no financial instruments that are classified as at fair value though profit or loss, available for sale or held to maturity. The remaining categories are explained further below.

Loans and receivables

Subsequent measurement

Subsequent to initial measurement, financial instruments are either measured at fair value or amortised cost, depending on their classification. The Group has no financial instruments that are subsequently measured at fair value.

Financial liabilities at amortised cost

Such liabilities are measured at amortised costs using the effective interest rate method.

Loans and receivables

Loans and receivables are measured at amortised cost using the effective interest rate method, less an allowance for impairment losses.

All of the group's trade debtors are included in the loans and receivables category. These advances arise when the Group provides money, goods or services directly to a debtor with no intention to trade the receivable. Loans and advances originated by the Group are generally in the form of short-term personal unsecured loans that are paid back in fixed equal instalments with terms of 1 to 6 months. Certain loans are secured – refer to note 35.

Impairments

Assets carried at amortised cost

The Group assesses at each reporting date whether there is objective evidence that an asset or group of assets is impaired. Impairment provisions raised during the year are charged to profit or loss.

Accounting Policies continued

The Group reviews the carrying amounts of its loans and receivables to determine whether there is any indication that those loans and receivables have become impaired, using objective evidence at a loan level. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event(s) has an adverse impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.
Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following loss events:

- Significant financial difficulty of the debtor.
- A breach of contract, such as a default or delinquency in the payment of interest or principal.
- The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider.
- It becoming probable that the borrower is over-indebted.
- Indication that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - - adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments); or
    - national or local economic conditions that correlate with defaults on the assets in the group

    e.g. an increase in the unemployment rate in the geographical area of the borrowers or adverse changes in industry conditions that affect the borrowers in the group).

When portfolio (collective) assessment of impairment is used, financial assets are grouped on the basis of similar credit characteristics which indicate the borrower's ability to pay in accordance with the contractually agreed terms. The group estimates the recoverable amount on a portfolio basis using portfolio statistics derived from past performance of similar financial assets, taking into account any changes to collection procedures and projected future market conditions.

The recoverable amount is the sum of the estimated future cash flows, discounted to their present value using a discount rate that reflects the original effective interest rate relating to the loan. The estimate of the cash flows is assessed on a loan by loan basis.
If the recoverable amount of the loan is estimated to be less than the carrying amount, the carrying amount of the loan is reduced to its recoverable amount by raising an impairment provision (through the use of a separate allowance account), which is recognised as an expense in profit or loss. Loans are written off, either partially or in full, when there is no realistic prospect of full or partial recovery. A write-off is effected against the allowance account.

Where an impairment loss subsequently reverses, the carrying amount of the loan is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the loan in prior years. A reversal of an impairment loss is immediately recognised in profit or loss.

Loans that would otherwise be past due or impaired and whose terms have been renegotiated and exhibit the characteristics of a performing loan are reset to performing loan status. Loans whose terms have been renegotiated are subject to ongoing review to determine whether they are considered to be impaired or past due.

Rehabilitated loans

Loans previously written off which subsequently have a regular repayment profile and meet other minimum recognition criteria, are written back on to the statement of financial position in the loan portfolio. These loans are recorded on an individual account basis at the gross amount outstanding along with the appropriate impairment provision.

Cash collected on loans which have previously been written off is recognised in profit or loss as bad debts recovered, as and when the cash is received.

Collateral

Generally no collateral is held in respect of recognised financial assets. In the event that collateral is held, it is not recognised by the group, as the group does not retain the risks and rewards of ownership, and is obliged to return such collateral to counterparties on settlement of the related obligations. Should a counterparty be unable to settle its obligations, the group takes possession of collateral or calls on other credit enhancements as full or part settlement of such amounts. These assets are recognised when the applicable recognition criteria under IFRS are met, and the group's accounting policies are applied from the date of recognition. Refer below for properties in possession.

Accounting Policies continued

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial guarantee contracts

Financial guarantee contracts are contracts that protect a creditor from a loss it may incur if a debtor fails to make payments when due in accordance with the terms of a debt instrument.

These are accounted for as financial instruments and are initially recognised at fair value, which is usually equal to the premium received, if any.

Financial guarantee contracts are subsequently measured at the higher of:

- The amount determined in accordance with IAS 37 (refer note 1.13 on provisions); and
- The initial fair value less cumulative amortisation in accordance with IAS 18.

The group does not issue any financial guarantee contract for a premium. At each reporting date, it considers whether payment under the guarantee contract is probable (more likely than not) for a provision to be recognised under IAS 37. If a provision is recognised, and the provision amount is greater than the existing carrying amount (after amortisation of revenue under IAS 18), an adjustment is required to reflect the provision and recognise the difference in profit or loss.

1.16 Segment reporting

The identification of reportable segments and the measurement of segment results are determined based on group's internal reporting to management as well as a consideration of products and services, organisational structures, geographical areas, economic and regulatory environments and the separable nature of activities or conversely inherent interconnectedness and whether these meet the criteria for aggregation.

The group accounts for inter-segment revenues and transfers as if the transactions were with third parties at current market prices.

Additional information relating to major clients and other performance measures is provided. The group has four operating segments:

* Investment advisory and investment management
* Micro finance
* Rentals of property in possession
* Other

All inter-segment transfers are carried out at arm's length prices based on prices charged to unrelated customers in standalone sales of identical goods or services. For management purposes, the Group uses the same measurement policies as those used in its financial statements.

1.17 Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary equity holders of the Group by the weighted average number of ordinary shares in issue during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary equity holders and the weighted average number of ordinary shares in issue for the effects of all dilutive potential ordinary shares, which comprise convertible notes.

1.18 Significant judgements and sources of estimation uncertainty

When preparing the financial statements, management and the board make a number of judgements, estimates and assumptions. The following are the most significant judgements, estimates and assumptions that have been made in preparing the financial statements.

Going concern judgement

The consolidated and separate financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Accounting Policies continued

The material uncertainties relating to events or conditions which may cast doubt upon the ability to continue as a going concern are outlined below

This judgement is based on a careful consideration of the following.

Financial statements should be prepared on a going concern basis unless it is intended to liquidate the entity or to cease trading or there is no realistic alternative but to do so.

In considering whether the going concern assumption is appropriate, all available information is taken into account, including information about the foreseeable future.

Where there are material uncertainties relating to events or conditions which may cast doubt upon the ability to continue as a going concern, those uncertainties should be disclosed.

The material uncertainties relating to events or conditions which may cast doubt upon the ability to continue as a going concern are outlined in the table below. The table also outlines the actions being taken to manage these uncertainties and also the current status of these uncertainties and actions.

Uncertainty	*Action*	*Status*
Timing of the amount payable to SARS	The directors have engaged with tax advisors to assist them in making a submission to SARS and to negotiate a settlement agreement.	The current relationship with SARS is constructive and conducive to an amicable outcome. A compromise offer was submitted to SARS by legal advisors and we await the result from SARS. Various payment and funding options are available to the board to be considered.
Ability of Afdawn and all of its subsidiaries to meet ongoing commitments. The risk of this uncertainty materialising in a manner that could affect the relevance of the going concern assumption could arise.	A number of actions are being taken to mitigate the risk of this uncertainty materialising. These include: (a) The Candlestick transaction was concluded and we await transfer of the property. b) Consideration is given to sell certain other assets c) the collection of a debtor become highly likely . d) The Elite transaction got shareholder approval in June 2016.	The Candlestick property was transferred on 12 May 2017 and the Nedbank bond plus the PTF3 and Blue Dot were settled plus most of the trade creditors were settled. There is ongoing engagement with funders. The Elite transaction was cancelled and Company has the right to claim and recover damages from Dzothe
Elite has been repaying the Sandown loan on a monthly basis, but has not fully complied with the agreed repayment schedule. Sandown could demand repayment of the loan.	Elite has made arrangement with Sandown on a monthly basis when needed.	Elite has ongoing negotiations with Sandown. These negotiations centre on accommodating Elite's ability to repay the loan over longer period. Sandown has agreed to extend terms of the repayment to three years. Elite has repaid R7,2m of the original R15m Sandown loan.
The strategy regarding Elite and Knife Capital needs to be re-evaluated.	Elite concluded the transaction with Dzothe in June 2016 . A deposit of R2million was paid and Dzothe was in breach with the rest of purchase consideration . The transaction was cancelled 12 May 2017.	The board of Afdawn has to explore all its options. The extension of the Sandown debt repayment period will enable Elite to fund itself in the short term. The success of the Knife business model needs to be re-evaluated and restructured accordingly.

Having regard to the nature of the uncertainties, the actions being taken and also the current status of these uncertainties, the judgment of the management and board is that it is appropriate that the financial statements be prepared on the going concern basis.

Accounting Policies continued

Other significant management judgements

Knife Capital Group Acquisition – shares held in escrow

In terms of the agreements relating to the acquisition of Knife Capital Group, 100 million Afdawn shares at 10 cents per share were issued to the Knife Capital vendors to settle the acquisition price of R10 million. 100% of the shares were issued immediately but 35% are held in escrow for three years.

The guidance in IFRS 3 – Business Combinations, has been applied to assess whether the shares that are held in escrow for three years form part of the purchase price relating to the acquisition of Knife Capital or whether they relate to services to be rendered by the vendors of Knife Capital in the three years after the acquisition.

This assessment revealed that the shares held in escrow form part of the purchase price based on the following:

- All the selling shareholders became employees in the Afdawn Group. The purchase and sale agreement provides for future short term incentives linked to key performance indicators as well as a long-term share incentive scheme and a further long term incentive;
- The shares are not automatically forfeited if employment terminates;
- The remuneration of the Knife Capital directors is in line with that of the Afdawn Group directors;
- The arrangement is not linked to providing services; and
- The purpose of the shares being held in escrow is to protect Afdawn Group against possible claims it may have against the sellers during that three year period. These general warranties and representations are verifying conditions that existed at the acquisition date.

Knife Capital Group acquisition - purchase price amounts

In terms of the agreements relating to the acquisition of Knife Capital Group, the purchase price of R10 million was subject to adjustment in two instances:

1. If the net asset value ("NAV") of Afdawn Group at the 28 February 2014 was less than 10 cents per share. In this case, the difference between 10 cents and the NAV per share would be multiplied by 100 million shares and would be payable in cash to the sellers on or before 1 March 2015. ("NAV liability"); and
2. If the capital raised by Afdawn Group in the year to 26 March 2015 was less than R50 million, the purchase price would be adjusted as follows:

(R50 million – capital raised) x 20% but limited to a maximum of R2 million.

This is known as the "share issue liability" and would be settled by Afdawn Group issuing a variable number of shares (i.e. it is calculated by dividing the Rand amount of the share issue liability by the 30 day volume weighted average price of the Afdawn shares).

Original issue of shares

In terms of the agreements relating to the acquisition of Knife Capital Group, 100 million Afdawn shares at 10 cents per share were issued to the Knife Capital vendors to settle the acquisition price of R10 million.

At the date that control passed, the ruling share price was 9 cents per share, which resulted in an initial cost of R9 million instead of the R10 million that was initially expected.

First NAV liability

In terms of IFRS 3, the fair value of the contingent consideration should be added to the purchase price at the date of the acquisition. At acquisition, the fair value of the first NAV liability could not be determined because it was based on the NAV per share on the 28 February 2014. It therefore became apparent that the NAV was less than 10 cents per share and an amount of R1 460 000 was owed to the sellers to be paid on or before 1 March 2015. This amount was interest-free. (Refer to note 18).

In November 2014, the term was renegotiated. It was agreed that this amount would remain interest-free and would be payable to the sellers over twenty four months with effect from November 2014. (Refer to notes 18).

Accounting Policies continued

Second NAV liability

Subsequent to 28 February 2015, a material prior period error relating to the 2014 and 2013 impairment of debtors in Elite was discovered. This resulted in a restatement of the 2014 and 2013 financial statements (refer to note 18) and the impact thereof was that the NAV was restated. This decrease in NAV per share meant that the Knife Capital vendors were entitled to a further payment of R2,095,000, to be settled on the same terms as the first NAV liability.

R2,095,000 was added to the purchase price. (Refer to note 18).

Share issue liability

At the time of the Knife Capital acquisition it was expected that Afdawn Group would raise capital of R50 million and therefore the fair value of the share issue liability at the date of acquisition was nil. The fair value was unchanged at the interim reporting date (31 August 2014).

However, at 28 February 2015, it became clear that this capital would not be raised and therefore the fair value of the contingent consideration changed. In terms of IFRS 3, any adjustment to the at-acquisition fair value of the contingent consideration affects profit or loss if it results from an event after the acquisition date and after the finalisation of the measurement period relating to the acquisition. The measurement period relating to the Knife Capital acquisition was finalised by the 31 August 2014.

This adjustment meets the definition of a financial liability in terms of IAS 32 – Financial Instruments: Presentation, because it is an obligation to issue shares to the value of a specified Rand amount (with a maximum of R2 million). A financial liability of R2 million was recognised and will be settled by the issue of a variable number of shares in the short term. Refer to note 18.

Knife Capital Group acquisition - additional remuneration

The agreement relating to the acquisition of Knife Capital Group outlines various future incentives that the sellers would be entitled to. It was agreed that these amounts would be finalised by the effective date of the acquisition of Knife Capital Group. At the year end this additional remuneration had been settled with the directors as announced on SENS.
This was disclosed as a contingent liability. (Refer to note 32).

Knife Capital Group acquisition – revision to terms

As announced on SENS on 1 July 2015 as part of the Voluntary Business Update, the vendors of Knife Capital and Afdawn have entered into an agreement in terms of which the vendors have agreed to release Afdawn from the obligation to pay the second NAV liability of R2,095,000 and the share issue liability of R2,000,000 (refer to notes 18). In addition, they have agreed to release Afdawn Group from any obligation to pay an amount relating to long-term incentives (Refer to note 24).

In return, Afdawn Group has agreed to waive any potential claim it may have (whether as the shareholder of Knife Capital or otherwise) to the Carried Interest (as defined in annexure C of the Transaction Agreement) and has consented to the Carried Interest being paid by Knife Capital Group to the Knife Capital vendors.

The impact of this agreement is that:

Lastly, in terms of the settlement agreement, Mr EA van Heerden would remain as the chief financial officer of the group until the earlier of 31 August 2015 or when a new chief financial officer had been appointed. Mr G Hope has subsequently been appointed as the CFO of Afdawn in 11 January 2016.

Elite Two - contingent liabilities

At the time that Elite acquired 100% of Elite Two from Sandown, Sandown took over debtors with a value of R14 337 165. The claims against those debtors will be pursued in Sandown's name. However, the costs of the legal proceedings will be shared equally by Elite and Sandown. If at least R10 million of this amount is collected, Elite will be paid a fee of 50% of the excess. However, Elite is not liable for any amount that is not collected.

Litigation is in the process against debtors in Elite Two relating to the settlement of outstanding debt. The company's lawyers and management consider the likelihood of the action against the debtor being successful as likely, and the case should be resolved within the next two years.

Impairment of non-financial assets

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair value less costs of disposal. These calculations require the use of estimates and assumptions. It is reasonably possible that certain key assumptions may change, which may then impact our estimations and may then require a material adjustment to the carrying value of assets.

Accounting Policies continued

The assets that have been tested for impairment are as follows:

- Goodwill 2017 and 2016 - refer to note 4
- Intangible assets 2017 and 2016 - refer to note 5

Insurance revenue

Certain of the micro finance debtors chose to purchase insurance from Elite and Elite Two in 2016. The insurance covers the debtor in the event of death, disability or loss of employment. The group does not re-insure the debts and therefore bore the risk in such situations.

IFRS 4 - Insurance Contracts, is not applicable to the company because the company does not administrator the insurance contracts. All the administration of the contracts is conducted by Guardrisk.

Although the Group was not an insurer, the revenue has been described as insurance revenue to differentiate it from other categories of revenue.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment of trade receivables in Elite and Elite Two

The amount recognised related to the impairment of receivables by Elite and Elite Two requires the use of significant estimates and assumptions. The group reviews its loans to assess impairment at least on a monthly basis.

In determining whether an impairment loss should be recognised, the group makes judgements as to whether there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

Management uses estimates based on historical loss experience for assets with similar credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing requires significant judgement and estimation. Refer note 1.11 for the accounting policy regarding the impairment of loans.

Refer to note 35, for further information on the specific estimates and assumptions used to assess the recoverability of trade receivables.

Goodwill impairment - Knife Capital Group

The goodwill of R8,076,000 relating to the acquisition of Knife Capital Group was tested for impairment at year end. An impairment has been recognised, refer to note 4 for further information about the estimates and assumptions used.

Discounting of interest free loans

Several loans are interest free or bear interest at a rate that is not market related. The following judgements are made relating to these loans:

- Credit loans that have no repayment terms are:
  - classified as liabilities at amortised cost,
  - included in current liabilities (because the company does not have the right to defer payment for at least 12 months after the reporting date;) and
  - not discounted because the amount that could be demanded by the lender is equal to the carrying amount of the loans.

- Credit loans that have repayment terms are:
  - classified as liabilities at amortised cost,
  - split between non-current liabilities and current liabilities in accordance with the terms; and
  - discounted over the repayment period with deemed interest expense being recognised subsequent to the initial recognition.
  - Debit loans that have no repayment terms are:
  - classified as loans and receivables;
  - split between non-current assets and current assets in accordance with the terms and the intention of the lender;
  - assessed for impairment; and
  - discounted over the estimate repayment period with deemed interest income being recognised subsequent to the initial recognition.

- Debit loans that have repayment terms are:
  - classified as loans and receivables;
  - split between non-current assets and current assets in accordance with the terms and the intention of the lender;
  - assessed for impairment; and
  - discounted over the repayment period with deemed interest income being recognised subsequent to the initial recognition.

Accounting Policies continued

2017 & 2016

All loans were attracting market related rates during the year so no present value adjustments were made.

The interest rates that has been applied in the discounting is an effective interest rate of 11,44% (2016: 11.19%).

Change in estimate – interest and penalties on income tax and VAT liability

As disclosed in the prior year financial statements an estimate was made of the current tax and VAT liabilities relating to Afdawn, Elite and Bhenka, plus the related interest and penalties that would be due to SARS. However, as a result of the section 200 application to SARS being declined in May 2015 (refer to note 12), additional interest and penalties of R0,842 million income tax + R0,252 million VAT (2016: R0,938 million) were due.

R0,434 million (2016: R2,808 million) of the amount relates to VAT and is recognised as an additional VAT liability in note 20 and R0,842 (2016: R2,710 million) of this relates to current income tax and is recognised as an additional current tax liability refer to note 12.

This has been accounted for as a change in accounting estimate and recognised in full in the current year.

The total group liabilities (including penalties and interest) are as follows:

* VAT - R4,703 million (2016: R5,938 million (refer to note 20)
* Current tax – R16,280 million (2016: 15,054 million (refer to note 12).

Notes to the Financial Statements

Annual Financial Statements For the year ended 28 February 2017

2. New Standards and Interpretations

2.1 Standards and interpretations not yet effective

At the date of authorization of these annual financial statements, the following standards and interpretations were in issue but not yet effective.

The group has not yet assessed the impact of any of these amendments and will only adopt them in the period they become effective.

- IFRS 9 Financial Instruments (01 January 2018)
- IFRS 15 Revenue from Contracts with Customers (01 January 2018)
- IFRS 16 Leases (01 January 2019)
- Amendments to IAS 7: Disclosure initiative (01 January 2017)
- Amendments to IAS 12: Recognition of Deferred Tax Assets for unrealised losses (01 January 2017)

Notes to the Financial Statements

Annual Financial Statements For the year ended 28 February 2017 continued

3. Property, plant and equipment

Group	2017 R'000			2016 R'000		
	Cost	Accumulated depreciation and impairment	Carrying amount	Cost	Accumulated depreciation and impairment	Carrying amount
Furniture and fixtures	470	(372)	98	486	(351)	135
Motor vehicles	642	(370)	272	642	(342)	300
Office equipment	662	(497)	165	726	(464)	262
IT equipment	1,319	(1,255)	64	1,155	(1,000)	155
Leasehold improvements	55	(49)	6	55	(28)	27
Telephone equipment	-	-	-	7	(7)	-
Total	**3,148**	**(2,543)**	**605**	**3,071**	**(2,192)**	**879**

Company	2017 R'000			2016 R'000		
	Cost	Accumulated depreciation and impairment	Carrying amount	Cost	Accumulated depreciation and impairment	Carrying amount
Furniture and fixtures	110	(55)	55	110	(35)	75
Office equipment	45	(45)	-	45	(45)	-
IT equipment	54	(45)	9	54	(28)	26
Leasehold improvements	55	(49)	6	55	(27)	28
Total	**264**	**(194)**	**70**	**264**	**(135)**	**129**

Reconciliation of property, plant and equipment - Group – 2017 R'000

	Opening balance	Additions	Disposals	Depreciation	Closing balance
Furniture and fixtures	135	-	-	(37)	98
Motor vehicles	300	-	-	(28)	272
Office equipment	262	10	(12)	(95)	165
IT equipment	155	34	(25)	(100)	64
Leasehold improvements	27	-	-	(21)	6
Telephone equipment	-	-	-	-	-
	879	**44**	**(37)**	**(282)**	**605**

Notes to the Financial Statements

Annual Financial Statements For the year ended 28 February 2017 continued

Reconciliation of property, plant and equipment - Group – 2016 R'000

	Opening balance	Additions	Disposals	Depreciation	Closing balance
Furniture and fixtures	146	28	-	(39)	135
Motor vehicles	289	214	(120)	(83)	300
Office equipment	187	169	-	(94)	262
IT equipment	271	159	(114)	(161)	155
Leasehold improvements	43	-	-	(16)	27
Telephone equipment	1	-	-	(1)	-
	937	**570**	**(234)**	**(394)**	**879**

Reconciliation of property, plant and equipment - Company – 2017 R'000

	Opening balance	Additions	Disposals	Depreciation	Closing Balance
Furniture and fixtures	75	-	-	(20)	55
Office equipment	-	-	-	-	-
IT equipment	27	-	-	(18)	9
Leasehold improvements	27	-	-	(21)	6
	129	**-**	**-**	**(59)**	**70**

Reconciliation of property, plant and equipment - Company – 2016 R'000

	Opening balance	Additions	Disposals	Depreciation	Closing Balance
Furniture and fixtures	95	-	-	(20)	75
Office equipment	-	-	-	-	-
IT equipment	45	-	-	(18)	27
Leasehold improvements	43	-	-	(16)	27
	183	**-**	**-**	**(54)**	**129**

Motor vehicles with a cost of R128,900 (2016:R128,900) and a carrying amount of R- (2016: R41,600) were held as security under the finance lease indicated in note 16.

Notes to the Financial Statements

Annual Financial Statements For the year ended 28 February 2017 continued

4. Goodwill

	2017 R'000		
	Cost	Accumulated impairment	Carrying amount
Goodwill	8,076	(3,397)	4,679

	Opening balance	Impairment	Closing balance
Reconciliation of goodwill Group 2017 R'000	8,076	(3,397)	4,679

	2016 R'000		
	Cost	Accumulated impairment	Carrying amount
Goodwill	8,076	-	8,076

	Opening balance	Impairment	Closing balance
Reconciliation of goodwill Group 2016 R'000	8,076	-	8,076

Goodwill impairment

Impairment test for goodwill

During 2015, goodwill of R8,076 million arose on the acquisition of the Knife Capital Group (refer to note 1.18) and has been allocated to the cash-generating units (CGUs) as follows:

2017 R' 000	Opening	Additions	Disposals	Impairment	Closing
Knife Capital	7,133	-	-	(3,397)	3,736
Grindstone	943	-	-	-	943
	8,076	**-**	**-**	**(3,397)**	**4,679**

2016 R' 000	Opening	Additions	Disposals	Impairment	Closing
Knife Capital	7,133	-	-	-	7,133
Grindstone	943	-	-	-	943
	8,076	**-**	**-**	**-**	**8,076**

Notes to the Financial Statements

Annual Financial Statements For the year ended 28 February 2017 continued

The recoverable amount of the CGUs has been determined based on value-in-use calculations. These calculations use pre- tax cash flow projections based on financial budgets approved by management covering a six-year period in line with the carried interest cycle. Cash flows beyond the six-year period are extrapolated using the estimated growth rates stated below:

The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. The key assumptions, long term growth rates and discount rates used in the value-in-use calculations are as follows:

Assumptions	Note	Knife Capital	Grindstone
Compounded annual revenue increase %	1	17%	6%
Compounded annual total operating costs increase %	2	-5%	5%
Pre-taxation discount rate		32%	25%
Recoverable amount of the CGU (R'000)		4,043	3,782

Notes

These assumptions have been used for the analysis of each CGU within the Knife Capital Group:

1. Revenue increase is based on past performance (excluding the carried interest relating to the Sales and Settlement Agreement for Knife Capital) and management's expectations of growth.
2. Operating costs are the fixed costs of the CGUs, which do not vary significantly with sales volumes or prices. Management forecasts these costs based on the current structure of the business, adjusting for inflationary increases and this reflects some restructurings and cost saving measures being implemented.

With regard to Knife Capital

- The recoverable amount calculated based on value in use did not exceed the carrying amount by R3,736 million(2016: R3,541 million).

With regard to Grindstone

- The recoverable amount calculated based on value in use exceeded the carrying amount by R2,839 million (2016: 4,452 million).

With regard to Yuediligence

- The recoverable amount calculated based on value was not included in the impairment of goodwill calculation as Yuediligence was developed after acquisition and was not part of the original goodwill calculation. Yuediligence is a product of the Gap Analysis assessment Tool that was productised into a separate entity.

Notes to the Financial Statements

Annual Financial Statements For the year ended 28 February 2017 continued

5. Intangible assets

Group	2017 R'000			2016 R'000		
	Cost	Accumulated amortisation and impairment	Carrying amount	Cost	Accumulated amortisation and impairment	Carrying amount
Micro finance software	2,030	(1,263)	767	1,756	(911)	845
Contractual customer contracts on acquisition of Knife Capital Group	6,543	(3,854)	2,689	6,543	(2,532)	4,011
Yuedilligence	328	(9)	319	299	-	299
Total	**8,901**	**(5,126)**	**3,775**	**8,598**	**(3,443)**	**5,155**

Reconciliation of intangible assets - Group - 2017

	Opening balance	Additions	Amortisation	Impairment	Closing balance
Micro finance software	845	274	(352)	-	767
Contractual customer contracts on acquisition of Knife Capital Group Contractual customer contracts	4,011	-	(1,322)	-	2,689
Yuedilligence	299	29	(9)	-	319
	5,155	**303**	**(1,683)**	**-**	**3,775**

Reconciliation of intangible assets - Group - 2016

	Opening balance	Additions	Amortisation	Impairment	Closing balance
Micro finance software	1,147	47	(349)	-	845
Contractual customer contracts on acquisition of Knife Capital Group Contractual customer contracts	5,332	-	(1,321)	-	4,011
Yuedilligence	-	299	-	-	299
	6,479	**346**	**(1,670)**	**-**	**5,155**

Contractual customer contracts

The intangible assets recognised on the acquisition of Knife Capital Group relate to contractual customer relationships and have a useful life of 3 to 6 years.

Notes to the Financial Statements

Annual Financial Statements For the year ended 28 February 2017 continued

Internally generated software

The software is all internally generated and was specifically developed to support the unsecured and medical finance business models.

The impairment of the intangible asset relates to the Micro finance segment.

The carrying amount and remaining useful life of material intangible assets is as follows:

Intangible assets	Carrying amount 2017 R'000	Remaining amortization period	Carrying amount 2016 R'000	Remaining amortization period
Micro finance software	767	24 months	845	36 months
Branded education	38	1 months	499	13 months
GAP self-assessment and intervention tools	1,793	37 months	2,376	49 months
Fund Management agreements	858	37 months	1,136	49 months
Yuediligence	319	35 months	299	36 months
	3,775		**5,155**	

6. Investments in subsidiaries

The following table lists the entities which are controlled by the group, either directly or indirectly through subsidiaries. The principal place of business and incorporation for all subsidiaries is South Africa.

The carrying amounts of the subsidiaries are shown net of impairment losses.

The carrying amounts of investments in subsidiaries were reassessed for impairment at year end and no impairment was required. The impairments arose as a result of the present value adjustments on loans which were debited to the investment in the related subsidiary and an impairment to the value of the property.

Reporting period

The end of the reporting period of Elite Cell is 31 March 2017. It was impracticable to obtain financial statements as at 28 February 2017 because the company is controlled by companies with a March year end. No significant transactions took place between the reporting period of February 2017 and the year end of March 2017.

Notes to the Financial Statements

Annual Financial Statements for the year ended 28 February 2017 continued

Company

Name of company	% voting power 2017	% voting power 2016	Nature	Carrying amount 2017	Carrying Amount 2016
ABC Cashplus (Randburg) Proprietary Limited	100 %	100 %	Dormant	-	-
ABC Cashplus Financial Services Proprietary Limited	100 %	100 %	Dormant	-	-
African Dawn Debt Management Proprietary Limited	100 %	100 %	Dormant	-	-
African Dawn Kwazulu Natal Proprietary Limited	100 %	100 %	Dormant	-	-
African Dawn Property Transfer Finance 1 Proprietary Limited	100 %	100 %	Bridging Finance	-	-
African Dawn Property Transfer Finance 2 Proprietary Limited	100 %	100 %	Bridging Finance	-	-
African Dawn Social Education Proprietary Limited	100 %	100 %	Dormant	-	-
African Dawn Wheels Operations Proprietary Limited	100 %	100 %	Dormant	-	-
African Dawn Wheels Proprietary Limited	100 %	100 %	Vehicle finance	-	-
Albistar Investments Proprietary Limited	100 %	100 %	Dormant	-	-
Almika Properties 81 Proprietary Limited	100 %	100 %	Property holding	-	-
Amalgum Investments 138 Proprietary Limited	100 %	100 %	Dormant	-	-
Bhenka Financial Services Proprietary Limited	100 %	100 %	Dormant	-	-
Candlestick Park Investments Proprietary Limited	100 %	100 %	Property holding	-	-
Elatiflash Proprietary Limited	100 %	100 %	Dormant	-	-
Elite Group Two Proprietary Limited *	100 %	100 %	Unsecured lending	-	-
Elite Group Cell No, 00181 Proprietary Limited	100 %	100 %	Life insurance	-	-
Elite Group Proprietary Limited	100 %	100 %	Unsecured lending	3,322	3,322
Grindstone Accelerator Proprietary Limited *	100 %	100 %	Consulting	-	-
Knife Capital Proprietary Limited	100 %	100 %	Venture Capital	12,555	12,555
Yuediligence Proprietary Limited	100 %	100 %	Consulting	-	-
				15,877	**15,877**

Testing for impairment

The investments in subsidiaries are tested for impairment by analysing each investment as a Cash generating unit ("CGU") using the following assumptions:

The recoverable amount of the CGUs has been determined based on value-in-use calculations. These calculations use pre- tax cash flow projections based on financial budgets approved by management covering a six-year period in line with the carried interest cycle. Cash flows beyond the six-year period are extrapolated using the estimated growth rates stated below:

The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. The key assumptions, long term growth rates and discount rates used in the value-in-use calculations are as follows:

Assumptions	Note	Knife Capital	Grindstone
Compounded annual revenue increase %	1	17%	6%
Compounded annual total operating costs increase %	2	-5%	5%
Pre-taxation discount rate		32%	25%

Notes to the Financial Statements

Annual Financial Statements For the year ended 28 February 2017 continued

7. Other financial assets

Loans and receivables	Group		Company	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Elite cell - A cell captive agreement was entered into with Guardrisk Group (Pty) Ltd ("Guardrisk") that allows trade debtors to insure their loans against death, disability and retrenchment. It is in a closed cell that does not share risk.	-	312	-	-

Current assets	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Elite cell	-	312	-	-

Elite Cell is a subsidiary of Elite. The cash in Elite Cell can only be accessed by submitting a claim to Guardrisk or by Elite Cell declaring a dividend. Elite decided to sell the insurance products through a 3rd party company so have transferred all available cash from Elite Cell to Elite.

8. Deferred tax Asset/Deferred tax liability

Deferred tax liability - intangible asset on acquisition of Knife Capital Group	(753)	(1,125)	-	-
Deferred tax liability – prepaid expenses	(5)	-		
Deferred tax assets	697	381		
Net deferred tax liability	**(61)**	**(744)**	**-**	**-**

At beginning of year	(744)	(1,365)	-	-
Assessed loss raised/(utilized) during the year against current income tax	431	152	-	-
Deferred tax effect of amortisation of intangible asset raised on Knife Capital Group (refer to note 5)	370	370	-	-
Temporary difference trade debtors bad debt allowance	(137)	138	-	-
Temporary difference on leave pay accrual	8	(39)	-	-
Temporary difference on deferred income	11	-	-	-
	(61)	**(744)**	**-**	**-**

Notes to the Financial Statements

Annual Financial Statements For the year ended 28 February 2017 continued

9. Properties in possession

	Group		Company	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Almika Properties 81 Proprietary Limited,	3,889	5,312	-	-
Greenoaks - Centurion, Gauteng	44,415	44,415	-	-
Greenoaks - PTF3 share of property	(16,174)	(16,174)	-	-
	32,130	33,553	-	-
Impairment	(16,277)	(15,306)	-	-
Carrying amount	15,853	18,247	-	-

Reconciliation of movement 2017 R'000	Almika	Greenoaks
Opening balance asset	5,312	44,415
Sold	(1,423)	-
PTF3 share of Greenoaks	-	(16,174)
Impairment	(3,609)	(12,668)
	280	**15,573**

Reconciliation of movement 2016 R'000	Almika	Greenoaks
Opening balance asset	6,749	44,415
Sold	(1,437)	-
PTF3 share of Greenoaks	-	(16,174)
Impairment	(3,609)	(11,697)
	1,703	**16,544**

Almika

Almika owns a low-cost residential development consisting of 50 units in Loerie Park, Benoni, Gauteng. The development has now been completed and the units are in the process of being sold. In terms of the agreement with the property developer, Afdawn Group will receive R70 000 on transfer of each unit that is sold. It is estimated that this will amount to approximately R3,4 million.

A total of 46 units have been transferred and payments of R3,2 million have been received by February 2017. The final R0,28 million was received in March 2017.

Greenoaks

Candlestick has title to a residential housing complex called Greenoaks in Centurion, Gauteng. These units are currently being rented to tenants on annual leases (with renewal periods and rates subject to negotiation). Rental income of R4 753 360 (2016: R5 314 558) has been recognised.

Greenoaks was transferred to Candlestick in August 2010 in settlement of amounts due to African Dawn Property Transfer Finance 2 Proprietary Limited ("PTF 2") and African Dawn Property Transfer Finance 3 Proprietary Limited ("PTF 3") by Blue Dot Properties 1198 CC ("Blue Dot"). PTF 3 is not part of the Afdawn Group.

In terms of an agreement between PTF 2 and PTF 3, any amount realised on disposal of the property less amounts payable to Nedbank (under the first mortgage bond) less related costs less amounts due to certain other third parties will be shared between PTF 2 and PTF 3 on a 50:50 basis in settlement of the balance of their respective loans to Blue Dot.

Notes to the Financial Statements

Annual Financial Statements For the year ended 28 February 2017 continued

For this reason, the reconciliation above is split as follows:

- Amount relating to legal title of entire property
- Less PTF3 share of the property (50%)
- Equals amount relating to Afdawn Group's share of the property (i.e. the 50% referred to above that is in substance Afdawn Group's share of the property).

Blue Dot was placed in liquidation and there was a dispute in terms of which the liquidator is attempting to have the property transferred back into the insolvent estate of Blue Dot. Negotiations between the Blue Dot liquidator and Candlestick were concluded and a settlement was reached whereby on the sale of the building the Nedbank bond and selling costs will be settled first and the balance will be split in the following ratio PTF2 35%, PTF3 35% and Blue Dot liquidator 30%.

The other claims against the property include:

- A Nedbank loan, in terms of which Nedbank registered a first bond against the property. The original facility was R14,100, 000 and the amount outstanding at the reporting date was R6 164 210 (2016: R7 563 952) (refer to note 15).

A sales agreement was entered into in April 2016, in terms of which the property will be sold for R32 500 000. The group expects to realize R8 373 000 from the sale. The property was transferred on the 10 May 2017 and Candlestick has received their portion of the proceeds and the Nedbank bond , PTF3 and the Blue Dot liquidator were settled in full.

10. Loans to/(from) group companies

Subsidiaries

Company 2017 R'000 **Subsidiaries**	**Loan balance**	**Loan impairment**	**Loan present value adjustment (refer to note 6)**	**Total**
African Dawn Social Education Proprietary Limited *	(57)	-	-	(57)
Bhenka Financial Services Proprietary Limited *	(6,870)	-	-	(6,870)
African Dawn Property Transfer Finance 2 Proprietary Limited *	28,383	(14,221)	(236)	13,926
African Dawn Property Transfer Finance 1 Proprietary Limited *	6,888	(4,257)	(120)	2,511
African Dawn Wheels Proprietary Limited *	288	(288)	-	-
African Dawn Kwazulu Natal Proprietary Limited *	3,175	(3,175)	-	-
African Dawn Debt Management Proprietary Limited *	14,234	(14,231)	-	3
Candlestick Park Investments Proprietary Limited	424	(424)	-	-
Almika Properties 81 Proprietary Limited *	15	(15)	-	-
Elite Group Proprietary Limited *	22,810	(13,030)	(1,004)	8,776
African Dawn Wheels Operations Proprietary Limited *	13	(13)	-	-
Amalgum Investments 138 Proprietary Limited *	14	(14)	-	-
Elatiflash Proprietary Limited *	16	(16)	-	-
Albistar Investments Proprietary Limited *	18	(18)	-	-
ABC Cashplus (Randburg) Proprietary Limited *	12	(12)	-	-
Knife Capital Proprietary Limited	2	(2)	-	-
	69,366	**(49,717)**	**(1,360)**	**18,289**

Notes to the Financial Statements

Annual Financial Statements For the year ended 28 February 2017 continued

Company 2016 R'000 Subsidiaries	Loan balance	Loan impairment	Loan present value adjustment (refer to note 6)	Total
African Dawn Social Education Proprietary Limited *	(57)	-	-	(57)
Bhenka Financial Services Proprietary Limited *	(6,872)	-	-	(6,872)
African Dawn Property Transfer Finance 2 Proprietary Limited *	29,913	(14,759)	(824)	14,331
Nexus Personnel Finance Proprietary Limited *	-	-	-	-
African Dawn Property Transfer Finance 1 Proprietary Limited *	6,887	(4,255)	(264)	2,368
African Dawn Wheels Proprietary Limited *	345	(257)	-	88
African Dawn Kwazulu Natal Proprietary Limited *	3,175	(3,175)	-	-
African Dawn Debt Management Proprietary Limited *	14,229	(14,226)	-	3
Candlestick Park Investments Proprietary Limited	149	(149)	-	-
Almika Properties 81 Proprietary Limited *	15	(15)	-	-
Elite Group Proprietary Limited *	22,736	(12,432)	(370)	9,934
African Dawn Wheels Operations Proprietary Limited *	13	(13)	-	-
Amalgum Investments 138 Proprietary Limited *	14	(14)	-	-
Elatiflash Proprietary Limited *	16	(16)	-	-
Albistar Investments Proprietary Limited *	18	(18)	-	-
ABC Cashplus (Randburg) Proprietary Limited *	11	(11)	-	-
Knife Capital Proprietary Limited	-	-	-	-
	70,592	**(49,340)**	**(1,458)**	**19,794**

Movement in impairment

	2017 R'000	2016 R'000
Opening balance	49,340	49,149
Increase in impairment	377	1,500
Reversal of impairment	-	(1,309)
	49,717	**49,340**

All the loans are unsecured, interest free and have no fixed terms of repayment.

* The loans have been sub-ordinated to the extent that the subsidiaries' liabilities exceed the assets in favour of other creditors of the subsidiaries for as long as the subsidiaries' liabilities exceeds the assets.

Notes to the Financial Statements

Annual Financial Statements For the year ended 28 February 2017 continued

	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Current assets	-	-	25,216	26,723
Current liabilities	-	-	(6,927)	(6,929)
	-	**-**	**18,289**	**19,794**

Loans to group companies impaired

As of 28 February 2017, loans to group companies of R76,293 million (2016: R 77,521 million) were impaired and provided for. The amount of the impairment was R49,717 million as of 28 February 2017 (2016: R 49,340 million).

11. Trade and other receivables

Trade receivables	50,672	53,865	-	-
Impairment allowance	(20,602)	(18,934)	-	-
Deemed interest on trade debtor	(585)	-	-	-
Deposits	267	293	31	31
VAT	-	145	-	-
Other receivables	1,441	612	83	76
	31,193	**35,981**	**114**	**107**

Refer to note 35 for a detailed analysis of the trade receivables.

Certain trade receivables are used as security on related borrowings from the National Housing Finance Corporation ("NHFCE"). Refer to note 15.

12. Current tax receivable/(payable)

Current tax receivable	-	-	-	-
Current tax payable	(16,280)	(15,054)	(8,673)	(8,220)
	(16,280)	**(15,054)**	**(8,673)**	**(8,220)**

The current relationship with SARS is constructive and conducive to an amicable outcome.

A liability has been recognised in full for all interest and penalties that are payable to SARS. Refer to note 27 which includes R0,842 million (2016: R0,938 million) relating to the interest and penalties.

Notes to the Financial Statements

Annual Financial Statements For the year ended 28 February 2017 continued

13. Cash and cash equivalents

Cash and cash equivalents consist of:

	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Cash on hand	100	192	-	-
Bank balances	1,883	2,813	78	788
	1,983	**3,005**	**78**	**788**

14. Shares and share premium

Authorised

	Group		Company	
	shares	**shares**	**shares**	**shares**
125,000,000 Ordinary shares of 40c each	50,000,000	50,000,000*	50,000,000	50,000,000*

* On the 29 November 2016 the share were consolidated from 5,000,000,000 shares of 1c to 125,000,000 shares of 40c.

The total shares in issue as at 28 February 2017 amounted to 21,925,057 (2016: 877,002,273*).

	2017	2016	2017	2016
Reconciliation of number of shares in issue	**R'000**	**R'000**	**R'000**	**R'000**
Reported as at 01 March	877,002	880,270	877,002	880,270
Treasury shares cancelled	-	(3,268)	-	(3,268)
Share consolidation @ 1 share per 40 held	(855,077)	-	(855,077)	-
	21,925	**877,002**	**21,925**	**877,002**
Reconciliation of share values 'R000:				
Reported at beginning of period	313,943	313,943	313,943	313,943
Reported at the end of the period	**313,943**	**313,943**	**313,943**	**313,943**
Treasury shares cancelled	305,140	305,140	305,140	305,140
Share consolidation @ 1 share per 40 held	8,803	8,803	8,803	8,803
	313,943	**313,943**	**313,943**	**313,943**

The board undertook to consolidate the shares in issue in order to improve the tradability. The consolidation was completed at 1 share for every 40 share held on 29 November 2016.

As a result of the Payment of Fractions, fractional shares amounting in total to 29 shares were not consolidated in terms of the Consolidation and therefore paid out.

Notes to the Financial Statements

Annual Financial Statements for the year ended 28 February 2017 continued

15. Borrowings

GROUP 2017 R'000	Loan Balance	Total Balance
DD Breedt The loan bears interest at prime, is secured on ceded debtors and is repayable over 6 months.	300	300
HT Malan The loan bears interest at prime, is secured on ceded debtors and is repayable over 6 months.	200	200
ME Malan The loan bears interest at prime, is secured on ceded debtors and is repayable over 6 months.	200	200
JP Verwey The loan bears interest at prime, is secured on ceded debtors and is repayable over 3 months.	160	160
PS Van Der Westhuizen The loan bears interest at prime, is secured on ceded debtors and is repayable over 6 months.	100	100
National Housing Finance Corporation ("NHFCE") - Elite entered into a separate facility agreement whereby the loan is secured on the associated debtors, bears interest at prime +5% and is repayable over 5 years from the borrowing date. Afdawn has provided a guarantee on the loan facility. (Refer to note 38).	1,436	1,436
Sandown Capital loan (A) - The convertible bond was not converted and new terms are as follows: Loan bears interest at prime +1% currently 11.5% and is repayable in instalments of R100,000 for 3 month and then R125,000 thereafter. The loan is unsecured.	3,898	3,898
Sandown Capital Interest loan (A) (C) - The loan bears interest at prime + 1% currently 11.5% and is repayable in instalments of R125,000 is unsecured. a month starting in December 2016. The loan	3,333	3,333
Nedbank mortgage bond - The loan is secured on fixed property. Interest is levied at prime -0.5% and the loan is property. Interest is levied at prime -0.5% and the loan is repayable in instalments of R172,932 per month. The bond arose as part of a property in possession transaction. The monthly instalments are funded through the cash generated through operations at Greenoaks. (Refer to note 9).	6,164	6,164
	15,791	**15,791**

GROUP 2016 R'000	Loan Balance	Total Balance
National Housing Finance Corporation ("NHFCE") - Elite entered into a separate facility agreement whereby the loan is secured on the associated debtors, bears interest at prime +5% and is repayable over 5 years from the borrowing date. Afdawn has provided a guarantee on the loan facility. (Refer to note 38).	2,576	2,576
Sandown Capital Elite Two loan (B) - The loan is unsecured, bears interest at prime and is repayable in instalments of Up to R80,000 per month plus accrued interest.	580	580
Sandown Capital loan (A) - The convertible bond was not converted and new terms are as follows: interest is charged at prime, currently 9.25% per annum and repayments of up to R700,000 plus interest per month in the short term. The loan is unsecured.	6,300	6,300
Sandown Capital Interest free portion loan (A) (C) - The loan bears interest at prime current 10.5% +1 and is repayable in instalments of R700,000 starting in December 2016. The loan is unsecured.	3,333	3,333
Nedbank mortgage bond - The loan is secured on fixed property. Interest is levied at prime -0.5% and the loan is repayable in instalments of R172,932 per month. The bond arose as part of a property in possession transaction. The monthly instalments are funded through the cash generated through operations at Greenoaks. (Refer to note 9).	7,564	7,564
	20,353	**20,353**

Notes to the Financial Statements

Annual Financial Statements For the year ended 28 February 2017 continued

Non-current Liabilities	Group		Company	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
At amortised cost	6,316	7,829	-	-
	6,316	**7,829**	**-**	**-**
Current Liabilities				
At amortised cost	9,475	12,524	-	-
	9,475	**12,524**	**-**	**-**
	15,791	**20,353**	**-**	**-**

(A) The Sandown Convertible bond was renegotiated and in terms of the new agreement, there is no conversion element and the balance was split into 2 loans, "Sandown Capital Proprietary Limited" and "Sandown Capital interest portion of loan". Sandown Capital Proprietary Limited refers to the original capital advanced and Sandown Capital interest portion of loan being the capitalised interest on the original loan. The original terms of the agreement were a conversion period of 36 months from date of issue, conversion price of R 0.14, interest levied at JIBAR on 3 month discount +600 basis points. The bond arose as part of the recapitalisation and rights issue in 2011. Refer to note 17 for further details.

(B) The loan bore no interest in 2015 and was therefore present valued such that R75,764 deemed interest was recognised over the life of the loan. R43,447 of this has been recognised in 2015, leaving a balance of R32,317 that was recognised in 2016.

(C) The loan bore no interest in 2015 and was therefore present valued such that R493,992 deemed interest will be recognised over the life of the loan. R66,155 of this has been recognised in 2015, leaving a balance of R427,837 recognised in 2016 as the loan started to attract market related interest.

16. Finance lease liabilities

	Group		Company	
	2017	2016	2017	2016
	R'000	R'000	R'000	R'000
- Within one year	-	19	-	-
- in second to fifth year inclusive	-		-	-
Total	-	19	-	-
less: future finance charges	-	-	-	-
Present value of minimum lease payments	-	19	-	-
Non-current liabilities	-	-	-	-
Current liabilities	-	19	-	-
	-	**19**	**-**	**-**

It is group policy to lease certain motor vehicles under finance leases.

The average lease term is 1-5 years and the average effective borrowing rate is 11% (2016: 11%)

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The group's obligations under finance leases are secured by the lessor's charge over the leased assets. As the lease has been settled the vehicles are no longer security on the loan, Refer to note 3.

Notes to the Financial Statements

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17. Compound instruments

Convertible bond

During the 2012 financial year two separate convertible bonds were issued. The holders of the instruments had the ability to elect to redeem the amounts owing in cash or convert the amount owing into equity shares. This discretion gave rise to the existence of a contractual obligation of one party to deliver cash or another financial asset to another party, or to exchange financial assets or liabilities under conditions that are potentially unfavourable. They were therefore classified as financial liabilities.

The terms of the bonds were similar, being convertible over 36 months from issue (3 November 2011), conversion price set at 14 cents for capital plus any arrear interest at JIBAR + 600 points.

* The convertible bond agreement to Sandown was for a subscription of R10 million which was settled. In 2012 Afdawn group negotiated with Sandown to repay the unutilised portion of the convertible bond under an acknowledgment of debt agreement. The remaining portion was drawn down in 2013.

* The PCI convertible bond loan was paid in terms of the agreement to the amount of R1,700,000 and the interest has been raised and repaid quarterly in terms of the agreement.

During the 2013 period, the Board signed a cession that resulted in the PCI convertible bond being transferred to STRB Lewende Trust. The cession stipulates that the new owner has the same rights and responsibilities as the previous owner with all terms and conditions remaining the same.

Both bonds became due during the 2015 financial year and neither Sandown nor PCI chose to convert to shares. The STRB Lewende Trust was paid for the balance due on the bond. Sandown Capital negotiated a repayment of the bond over a 2 year period by Elite with the conversion option falling away. Refer to note 15.

18. Loans from directors

	Group		Company	
	2017	**2016**	**2017**	**2016**
	R'000	**R'000**	**R'000**	**R'000**
EA Van Heerden *	20	162	20	162
JK Van Zyl *	20	162	20	162
A Bohmert *	20	163	20	163
WJ Groenewald **	183	-	183	-
G Hope **	1,280	-	1,280	-
	1,523	**487**	**1,523**	**487**

* The loans arose as part of the Knife Capital Group acquisition transaction detailed in the circular issued on 7 March 2014. Refer to the significant judgements in the accounting policies note 1.18 and note 33 for further details.

** All loans attract 2% interest per month are unsecured and are repaid on an adhoc basis in the short term.

Notes to the Financial Statements

Annual Financial Statements For the year ended 28 February 2017 continued

Reconciliation

	2017 R'000	2016 R'000
First NAV liability	1,217	1,217
(interest free payable at R60 833 per month with effect from November 2014, now adhoc repayments)	(1,157)	(730)
Subtotal (A)	**60**	**487**

On 1 July 2015 as announced on SENS, the vendors of Knife Capital have released Afdawn from the second NAV liability and the share issue liability. Refer to the judgement disclosed in note 1.18 as well as note 33.

(A) The outstanding balance of loans from directors on acquisition of Knife Capital is R60 000 (2016: R486 667).

	Group		Company	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Non-current liabilities	-	-	-	-
Current liabilities	(1,523)	(487)	(1,523)	(487)
	(1,523)	(487)	(1,523)	(487)

19. Operating Lease Liability

	Group		Company	
	2017 R'000	2016 R'000	2017 R'000	2016 R'000
Current liability	5	28	5	28
	5	**28**	**5**	**28**

20. Trade and other payables

Trade payables	2,523	473	1,265	263
VAT *	4,703	5,938	4,408	4,677
Accrued leave pay	1,206	1,055	114	100
Accrued expenses	2,067	4,165	652	265
Accrued audit fees	-	450	-	450
Deposit paid on sale of Candlestick and Elite	2,000	-	1,000	-
Directors unpaid salaries	1,233	-	1,233	-
Deposits received	383	388	-	-
	14,115	**12,469**	**8,672**	**5,755**

* R 4,408,300 (2016: 5,781,412) of the VAT liability is also the subject of the submission to SARS referred to in note 12.

Notes to the Financial Statements

Annual Financial Statements For the year ended 28 February 2017 continued

21. Reduction in liability

Nexus Personnel Finance Proprietary Limited ("Nexus") was a subsidiary of Afdawn which went into liquidation in November 2014. At the time of entering liquidation Nexus owed the holding company Afdawn R18 million rand and was owed R2,4 million by fellow subsidiary Elite Group Proprietary Limited. The group negotiated a settlement with the liquidator with the outcome that Afdawn will release Nexus of its liability and Elite will settle the amount owing to Nexus for the amount or R0,3 million.

The Afdawn loan had already been fully impaired so there was no financial impact in relation to the loan. The Elite loan has been reduced which has resulted in a net gain of R2,162 million in Elite. Refer to note 24.

22. Revenue

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
Rendering of service	9,978	7,303	658	-
Non-interest income (administration fees)	1,112	798	-	-
Rental income (refer to note 9)	4,753	5,315	-	-
Interest received	21,074	23,878	1,021	811
Insurance revenue (refer to note 1.18)	74	35	-	-
	36,991	**37,329**	**1,679**	**811**

23. Other income

Bad debts recovered on trade receivables	788	738	-	-
Sundry income	132	1,077	-	(3)
Fair value adjustment	-	2,095	-	2,095
Share of capital cost on sale of Greenoaks paid 3rd parties	467	-	-	-
	1,387	**3,910**	**-**	**2,092**

Notes to the Financial Statements

Annual Financial Statements For the year ended 28 February 2017 continued

24. Operating loss

Operating loss for the year is stated after accounting for the following:

Operating lease charges

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
Premises	2,341	2,608	-	-
Equipment	536	498	-	29
	2,877	**3,106**	**-**	**29**

Loss on sale of property, plant and equipment	5	13	-	3
Impairment to properties in possession	971	3,284	-	-
Legal fees	864	1,686	443	1,073
Impairment of goodwill	3,397	-	-	-
Reversal of liability in Nexus (refer to note 21)	2,162	-	-	-
Amortisation on intangible assets	1,683	1,671	-	-
Depreciation on property, plant and equipment	282	394	59	54
Employee costs ^	22,006	16,968	3,254	3,009

^ Included in employee expenses are the following :

- HBD Carry to Knife Vendors in terms of Knife Sales Agreement	3,350	-
- HBD Carry to Knife Vendors in terms of Knife Settlement Agreement	3,350	-

25. Investment income

Interest revenue

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
Cash and equivalents	84	346	1	256

26. Deemed interest

2017 Group borrowings

	Amount	Repayment	Deemed interest	Balance
Sandown Capital Interest free portion loan (A) in note 15	3,333	-	-	3,333
Sandown Capital Elite Two loan (B) in note 15	580	(580)	-	-
	3,913	**(580)**	**-**	**3,333**

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Annual Financial Statements For the year ended 28 February 2017 continued

2017 Group Trade and other receivables

	Amount	Repayment	Deemed interest	Balance
Trade debtor – Autumn star interest free portion of loan	7,827	-	(585)	7,242

2017 Company borrowings

	Amount	Repayment	Deemed interest	Balance
	-	-	-	-

2016 Group borrowings

	Amount	Repayment	Deemed interest	Balance
Sandown Capital Interest free portion loan (A) in note 15	2,905	-	428	3,333
Sandown Capital Elite Two loan (B) in note 15	1,717	(1,169)	32	580
National Housing Finance Corporation ("NHFC" Loan Guarantee (D) in note 15	1,658	(1,750)	92	-
	6,280	**(2,919)**	**552**	**3,913**

2016 Group borrowings

	Amount	Repayment	Deemed interest	Balance
National Housing Finance Corporation ("NHFC" Loan Guarantee (D) in note 15	1,658	(1,750)	92	-

27. Finance costs including interest on income tax

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
NHFCE interest	275	415	-	-
Finance leases	-	15	-	-
Directors loans	143	-	143	-
Bank	2	34	-	-
Sandown Capital borrowing	880	880	-	-
Other loans	159	-	-	-
Penalties and interest on VAT	259	-	258	-
Penalties and interest on income tax	842	938	454	585
Nedbank bond interest	685	736	-	-
	3,245	**3,018**	**855**	**585**

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Annual Financial Statements For the year ended 28 February 2017 continued

28. Taxation

Major components of the tax expense (income)

Current	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
Local income tax - current period	60	442	-	-
Local income tax - recognised in current tax for prior periods	6	140	-	-
	66	**583**	**-**	**-**

Deferred

Temporary difference deferred income	(11)	54	-	
Temporary difference on bad debt provision	6	(136)	-	-
Temporary difference leave pay accrual	(8)	39	-	-
Temporary difference assessed losses used and not raised	(316)	(205)	-	-
Temporary difference Originating on amortisation of Knife Capital intangible assets	(369)	(369)	-	-
Total temporary differences	**(698)**	**(617)**	**-**	**-**
	632	**34**	**-**	**-**

Reconciliation of the tax expense

Reconciliation between accounting loss and tax expense.

Accounting loss	(12,820)	(6,944)	(6,650)	(4,249)
Tax at the applicable tax rate of 28% (2016: 28%)	(3,590)	(1,944)	(1,862)	(1,190)
Tax effect of adjustments on taxable income				
Permanent difference interest and penalties SARS	312	317	127	73
Permanent difference donations not allowed	3	2	-	-
Permanent difference fair value adjustment – Knife acquisition	-	(560)	-	(560)
Permanent difference deemed interest	164	129	304	-
Permanent difference Impairment of goodwill	951	-	-	-
Permanent difference fair value adjustment – property in possession	272	920	-	-
Deferred tax assets not raised	2,520	1,170	1,431	1,677
	632	**34**	**-**	**-**

No tax loss has been recognised as at year end as the final SARS assessments are still pending. The estimated tax loss available for set off against future taxable income is R 168,854,818 (2016: R 152,383,520). The company estimated tax loss available for set off against future taxable income is R70,946,643 (2016: R65,450,643).

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Annual Financial Statements For the year ended 28 February 2017 continued

29. Auditors' remuneration

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
Fees	1,313	1,721	693	1,660
	1,313	**1,721**	**693**	**1,660**

30. Cash used in operations

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
Loss before taxation	(12,820)	(6,944)	(6,650)	(4,247)
Adjustments for:				
Depreciation	282	394	59	54
Profit/(Loss) on disposal of property, plant and equipment	5	(13)	-	(3)
Investment income	(84)	(346)	(1)	(256)
Finance costs	2,403	2,080	401	-
Fair value of contingent consideration	-	(2,095)	-	(2,095)
Fair value of contingent consideration	-	(2,000)	-	(2,000)
Impairment adjustment group loans	-	-	377	-
Deemed interest on group loans	-	-	(98)	-
Impairment goodwill – Non cash	3,397	-	-	-
Non-cash finance costs (penalties and interest on income tax)	842	938	454	415
Reduction in liability – Non cash (refer to note 21)	(2,162)	-	-	-
Amortisation (refer to note 5)	1,683	1,670	-	-
Deemed interest expense (refer to note 26)	585	552	-	92
Operating lease movement	(23)	5	(23)	5
Impairment of properties in possession	971	3,283	-	-
Bad Debt write off	-	-	-	-
Changes in working capital:				
Properties in possession	1,422	1,439	-	-
Trade and other receivables	4,204	3,853	(7)	989
Trade and other payables	3,819	736	2,915	(723)
Deferred income	-	(474)	-	-
Other financial assets	312	412	-	-
	4,836	**3,490**	**(2,573)**	**(7,769)**

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Annual Financial Statements For the year ended 28 February 2017 continued

31. Tax paid

	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
Balance at beginning of the year	(15,054)	(14,840)	(8,220)	(7,805)
Current tax for the year recognised in profit or loss	(66)	(583)	-	-
Current tax recognized for prior year profit or loss	4	-	-	-
Adjustment in respect of penalties and interest	(842)	(938)	(453)	(415)
Balance at end of the year	16,280	15,054	8,673	8,220
	322	**(1,307)**	**-**	**-**

32. Contingencies

Knife Capital Group incentive scheme

The agreement relating to the acquisition of Knife Capital Group outlined various future incentives that the sellers would be entitled to. It stated that these amounts would be agreed upon by the effective date (being March 2014). This has not been done and therefore the amount of the liability could not be measured with sufficient reliability. At year end it was not possible to estimate the financial effect of this liability, nor when it would be settled, for this reason a liability was not recognised. There was no possibility of any reimbursement.

As announced on SENS on 1 July 2015, the vendors of Knife Capital have released Afdawn Group from these incentives.

Sandown legal fees

At the time that Elite acquired 100% of Elite Two from Sandown, Sandown took over debtors with a value of R14 337 165 . The claims against those debtors will be pursued in Sandown's name. However, the costs of the legal proceedings will be shared equally by Elite and Sandown. If at least R10 million of this amount is collected, Elite will be paid a fee of 50% of the excess. However, Elite is not liable for any amount that is not collected.

With respect to the legal claims, no legal work had been done by the reporting date. Between 1 March 2015 and 31 August 2015, costs of R94 181 had been incurred. A contingent liability exists for possible future legal fees but the amount cannot be reliably determined.

Allegro Holdings Proprietary Limited ("Allegro")

Afdawn Group previously concluded a Memorandum of Understanding (28 February 2013) which will facilitate an amicable conclusion to the matter. Progress has been slow in this regard. Thus far the company has not become aware of any information during its deliberations that will alter its conclusion reached previously. To the date of signing this report no claims have been received by Afdawn Group, nor has it been possible to establish any basis for a potential claim against Afdawn Group and therefore no provisions have been made for any such contingency.

33. Related parties

Relationships

Subsidiaries	Refer to note 6
Subsidiaries loan accounts	Refer to note 10
Significant shareholder with borrowings	Sandown Capital Proprietary Limited refer note 15
Company controlled by a director providing services to the group	Integrated Thinking Laboratory (Pty) Ltd – controlled by S Roper
Directors' loans and subsequent change	Refer to notes 1.18 and note 32
Executive and non-executive directors	Refer to directors' report
Key management	DD Breedt

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Annual Financial Statements For the year ended 28 February 2017 continued

Related party balances	Group 2017 R'000	Group 2016 R'000	Company 2017 R'000	Company 2016 R'000
Loan accounts - Owing (to) by related parties				
Elite owes Sandown Capital Proprietary Limited	(7,231)	(10,213)	-	-
Outstanding loans to directors				
EA Van Heerden (A)	20	162	20	162
JK Van Zyl (A)	20	162	20	162
A Bohmert (A)	20	163	20	163
WJ Groenewald	183	-	183	-
G Hope	1,280	-	1,280	-
Related party transactions				
Cash paid to directors on acquisition of Knife Capital				
EA Van Heerden (A)	142	243	142	243
JK Van Zyl (A)	142	243	142	243
A Bohmert (A)	143	243	143	243
Administration fees (received from) paid to related parties				
Candlestick Park Investments Proprietary Limited	400	-	400	-
African Dawn Capital Limited	(100)	-	(100)	-
Integrated Thinking Laboratory (Pty) Ltd	(300)	-	(300)	-
Commission (received from) paid to related parties				
African Dawn Wheels Proprietary Limited	3	14	-	-
Elite Group Proprietary Limited	(3)	(156)	-	-
Nexus Personnel Finance Proprietary Limited	-	142	-	-
Interest (received)/paid from related parties				
African Dawn Capital Limited	(116)	(227)	(116)	(31)
Elite Group Proprietary Limited	133	227	116	31
DD Breedt	(17)	-	-	-
G Hope - director	(143)	-	(143)	-
WJ Groenewald	32	-	32	-
African Dawn Capital Limited	111	-	111	-
Compensation to key management including directors				
Compensation	3,753	7,253		

(A) – The directors resigned from African Dawn Capital Limited during the year but remain as directors of subsidiaries

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Annual Financial Statements For the year ended 28 February 2017 continued

34. Directors emoluments

Executive

2017 R'000 Company

	Salary	Bonus	Directors' fees for services as directors' of subsidiaries	Total
WJ Groenewald	1,264	-	-	1,264
G Hope	1,200	-	-	1,200
	2,464	**-**	**-**	**2,464**

2016 R'000 Company

	Salary	Bonus	Directors' fees for services as directors' of subsidiaries	Total
WJ Groenewald	1,264	-	-	1,264
EA Van Heerden *	495	-	1,242	1,737
G Hope#	168	-	-	168
JK Van Zyl *	-		1,674	1,674
A Bohmert *	-	-	1,560	1,560
	1,927	**-**	**4,476**	**6,403**

* Resigned 11 January 2016 from African Dawn Capital Limited
# Appointed 11 January 2016

Non-executive

2017 R'000 Company

	Directors' Fees	Total
HH Hickey	144	144
V Lessing	144	144
SM Roper	144	144
	432	**432**

2016 R'000 Company

	Directors' Fees	Total
HH Hickey	124	124
V Lessing	124	124
SM Roper	124	124
CM Bull	35	35
	407	**407**

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Annual Financial Statements For the year ended 28 February 2017 continued

35. Risk Management

Risk Management definitions

For the purposes of risk management, the following definitions are applicable:

* Credit risk – the risk that the group may not recover amounts it is owed (debit balances - receivables, bank, debit loans).
* Liquidity risk – the risk that the group may not be able to pay an amount as it becomes due.
* Interest rate risk
  - Cash flow interest rate risk – the risk that the cash flows will change because the interest rate has changed.
  - Fair value interest rate risk – the risk that the fair value of the instrument will change because the interest rate has changed.
* Equity price risk - the risk that the cash flows or fair value of the instrument will change because the share price has changed.
* Commodity price risk - the risk that the cash flows or fair value of the instrument will change because the commodity price has changed.
* Foreign exchange / currency risk - the risk that the cash flows or fair value of the instrument will change because the foreign exchange price has changed.

Concentrations of risk

There are no concentrations of risks.

Exposure

The group is exposed to credit risk, interest rate risk and liquidity risk as follows:

Financial instrument	**Credit Risk**	**Liquidity risk**	**Cashflow interest rate risk**	**Fair value interest rate risk**	**Non-Interest rate risk**
Other financial assets	Yes	No	No	No	Yes
Properties in possession	No	No	No	No	No
Loans to group companies	Yes	No	No	Yes*	No
Trade receivables	Yes	No	Yes	No	No
Other receivables	Yes	No	No	Yes*	Yes
Cash and cash equivalents	Yes	No	Yes	No	No
Borrowings	No	Yes	Yes	Yes*	Yes
Finance lease liability	No	Yes	Yes	No	No
Convertible bond	No	No	Yes	No	No
Loans from group companies	No	Yes	No	No	Yes
Loans from directors	No	Yes	No	Yes	No
Operating lease liabilities	No	Yes	No	No	No
Trade payables	No	Yes	No	No	Yes

• Balances that are either interest free or where interest is earned / paid at less than a market related rate.

From an operational perspective, there is no interest rate risk. However, from an IFRS perspective, these loans are discounted and deemed interest income / expense is recognised. Therefore such loans give rise to fair value interest rate risk.

Notes to the Financial Statements

Annual Financial Statements For the year ended 28 February 2017 continued

Management of risk

Cashflow is monitored very closely on a continuous basis.

Credit risk is very closely managed in accordance with the basis as disclosed in the accounting policy 1.15.

Analysis of the statement of financial position

No financial instruments are classified as held to maturity, available for sale or at fair value through profit and loss. The statement of financial position is analyzed in the table below:

Group 2017 R'000	Loans and receivables	Liabilities at amortised cost	Not a financial instrument	Balance statement of financial position
Property, plant and equipment			605	605
Goodwill			4,679	4,679
Intangible assets			3,775	3,775
Deferred tax asset			697	697
Property in possession	15,853			15,853
Trade and other receivables	31,193			31,193
Cash and cash equivalents	1,983			1,983
Share capital and share premium			(313,943)	(313,943)
Accumulated loss			303,630	303,630
Deferred tax			(758)	(758)
Borrowings non-current		(6,316)		(6,316)
Current tax payable			(16,280)	(16,280)
Borrowings current		(9,475)		(9,475)
Finance lease liabilities current				-
Loans from directors current		(1,523)		(1,523)
Operating lease liabilities		(5)		(5)
Trade and other payables		(9,412)	(4,703)	(14,115)

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Annual Financial Statements For the year ended 28 February 2017 continued

Group 2016 R'000	Loans and receivables	Liabilities at amortised cost	Not a financial instrument	Balance statement of financial position
Property, plant and equipment			879	879
Goodwill			8,076	8,076
Intangible assets			5,155	5,155
Other financial assets current	312			312
Property in possession	18,247			18,247
Trade and other receivables	35,836		145	35,981
Cash and cash equivalents	3,005			3,005
Share capital and share premium			(313,943)	(313,943)
Accumulated loss			291,442	291,442
Deferred tax			(744)	(744)
Borrowings non-current		(7,829)		(7,829)
Current tax payable			(15,054)	(15,054)
Borrowings current		(12,524)		(12,524)
Finance lease liabilities current		(19)		(19)
Loans from directors current		(487)		(487)
Operating lease liabilities			(28)	(28)
Trade and other payables		(6,531)	(5,938)	(12,469)

Company 2017 R'000	Loans and receivables	Liabilities at amortised cost	Not a financial instrument	Balance statement of financial position
Property, plant and equipment			70	70
Investments in subsidiaries			15,877	15,877
Loans to group companies	25,216			25,216
Trade and other receivables	114			114
Cash and cash equivalents	78			78
Share capital and share premium			(313,943)	(313,943)
Accumulated loss			298,388	298,388
Loans from groups companies - current		(6,927)		(6,927)
Borrowings non-current				-
Current tax payable			(8,673)	(8,673)
Loans from directors current		(1,523)		(1,523)
Operating lease liabilities		(5)		(5)
Trade and other payables		(4,264)	(4,408)	(8,672)

Notes to the Financial Statements

Annual Financial Statements For the year ended 28 February 2017 continued

Company 2016 R'000	Loans and receivables	Liabilities at amortised cost	Not a financial instrument	Balance statement of financial position
Property, plant and equipment			129	129
Investments in subsidiaries			15,877	15,877
Loans to group companies	26,723			26,723
Trade and other receivables	107			107
Cash and cash equivalents	788			788
Share capital and share premium			(313,943)	(313,943)
Accumulated loss			291,738	291,738
Loans from groups companies - current		(6,929)		(6,929)
Borrowings non-current				
Current tax payable			(8,220)	(8,220)
Loans from directors current		(487)		(487)
Operating lease liabilities		(28)		(28)
Trade and other payables		(1,078)	(4,677)	(5,755)

The group has not:

a. Applied hedge accounting;
b. Designated any financial instruments as at fair value through profit and loss;
c. Reclassified any financial instruments;
d. Offset any financial instruments; or
e. Derecognised any financial instruments other than when they have been written off because they are not recoverable.

Collateral

f. The group holds cessions and sureties as security on certain trade debtors. The group also holds cash security deposits on property rentals agreements.
g. None of the security has been ceded to other parties during the financial year.

Group 2017 R'000	Carrying amount	Security held
	8,690	8,208

Group 2016 R'000	Carrying amount	Security held
	6,199	5,971

h. The group has not taken possession of any collateral it holds in 2017 and 2016.

Notes to the Financial Statements

Annual Financial Statements For the year ended 28 February 2017 continued

Analysis of the statement of profit or loss and other comprehensive income ("SOCI")

No financial instruments are classified as held to maturity, available for sale or at fair value through profit or loss. The SOCI is analysed below:

Group 2017 R'000	Loans and receivables	Liabilities at amortised cost	Not a financial instrument	Balance SOCI
Interest income - normal and deemed	17,879	-	933	18,812
Interest income - on impaired financial assets	2,566	-	-	2,566
Interest expense normal and deemed	585	2,403	842	3,830
Impairment	2,774	-	-	2,774

Group 2016 R'000	Loans and receivables	Liabilities at amortised cost	Not a financial instrument	Balance SOCI
Interest income - normal and deemed	22,992	-	7	22,999
Interest income - on impaired financial assets	2,225	-	-	2,225
Interest expense normal and deemed	-	2,633	937	3,570
Impairment	1,906	-	-	1,906

Company 2017 R'000	Loans and receivables	Liabilities at amortised cost	Not a financial instrument	Balance SOCI
Interest income - normal and deemed	116	-	905	1,020
Interest income - on impaired financial assets	-	-	-	-
Interest expense normal and deemed	1,360	143	711	2,214
Impairment	377	-	-	377

Company 2016 R'000	Loans and receivables	Liabilities at amortised cost	Not a financial instrument	Balance SOCI
Interest income - normal and deemed	753	92	-	844
Interest income - on impaired financial assets	-	-	-	-
Interest expense normal and deemed	2,710	265	3,344	6,319
Impairment	17,058	-	-	17,058

Credit risk

Maximum exposure

The amount that best represents the group's maximum exposure to credit risk is as follows:

- Granting of loans and receivables to customers and other parties - the maximum exposure to credit risk is the carrying amount of the related financial assets. (I.e. net of any impairment losses recognised in accordance with IAS 39).
- Placing deposits with banks - the maximum exposure to credit risk is the carrying amount of the related financial assets.
- Granting financial guarantees - the maximum exposure to credit risk is the maximum amount the group could have to pay if the guarantee is called on, which may be significantly greater than the amount recognised as a liability or contingent liability. The maximum exposure as a result of such contracts is disclosed in note 34.

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Collateral

The following collateral is held as security:

Group '000	2017		2016	
	Carry amount	Security held	Carrying amount	Security held
Trade receivables for which collateral is held	8,690	8,208	6,199	5,971

The company did not hold any collateral in 2017 or 2016.

Amount of impairment for each class of financial asset:

Group R'000	Amount of impairment 2017	Security held 2016
Trade and receivables (refer to note 11)	20,602	18,934
	20,602	**18,934**

Company R'000	Amount of impairment 2017	Security held 2016
Loans to group companies (refer to note 10 for reconciliation)	49,717	49,340
	49,717	**49,340**

Trade and other receivables - impairment reconciliation

Group	2017 R'000	2016 R'000
Opening balance	18,934	66,489
Plus additional impairment provisions	4,442	1,906
Less actual write off	(2,774)	(49,055)
Elite 2 debtors impairment/Nexus disposal	-	(406)
	20,602	18,934

The company does not have a provision for impairment.

Analysis of financial assets that are neither past due nor impaired:

Group 2017 R'000	Current	30-60 days	60-90 days	90 + days
Trade receivables	11,592	42	708	9,158

Group 2016 R'000	Current	30-60 days	60-90 days	90 + days
Trade receivables	15,279	200	-	-

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Annual Financial Statements For the year ended 28 February 2017 continued

Company 2017 R'000	Current	30-60 days	60-90 days	90 + days
Trade receivables	-	-	-	83

Company 2016 R'000	Current	30-60 days	60-90 days	90 + days
Trade receivables	18,993	-	-	-

Ageing of the financial assets that are impaired:

Group 2017 R'000	Current	30-60 days	60-90 days	90 + days
Trade receivables	9,890	908	789	19,293

Group 2016 R'000	Current	30-60 days	60-90 days	90 + days
Trade receivables	10,849	1,558	859	16,809

Ageing of those financial assets that are passed due but not impaired

Group 2017 R'000	Current	30-60 days	60-90 days	90 + days
Trade receivables	-	-	-	-

Group 2016 R'000	Current	30-60 days	60-90 days	90 + days
Trade receivables	17	97	88	8,109

Company 2017 R'000	Current	30-60 days	60-90 days	90 + days
Trade receivables	-	-	-	-

Company 2016 R'000	Current	30-60 days	60-90 days	90 + days
Trade receivables	-	-	-	-

Credit quality information for financial assets that are neither past due nor impaired:

Group R'000	2017		2016	
	Carrying amount	Credit Quality	Carrying amount	Credit quality
Other financial assets	-	High	312	High
Trade receivables	343	Medium	15,479	Medium
Cash and cash equivalents	1,983	High	3,005	High

Company R'000	2017		2016	
	Carrying amount	Credit Quality	Carrying amount	Credit quality
Cash and cash equivalents	78	High	788	High

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Renegotiated loans

The carrying amount of the financial assets included above that would have been past due or impaired had their terms not been renegotiated are:

Group R'000	Carrying amount of renegotiated loans 2017	Carrying amount of renegotiated loans 2016
Trade and other receivables	8,747	2,802

The company did not have any renegotiated loans and receivables in 2017 and 2016.

Liquidity risk

Group 2017 R'000	Not later than 1 month	1 month to 3 months	3 to 12 months	1 year to 3 years	More than 3 years
Borrowings	318	6,606	2,650	6,217	-
Finance lease liabilities	-	-	-	-	-
Loans from directors	-	1,523	-	-	-
Trade and other payables	-	5,300	2,528	6,292	-
	318	**13,429**	**5,178**	**12,509**	**-**

Group 2016 R'000	Not later than 1 month	1 month to 3 months	3 to 12 months	1 year to 3 years	More than 3 years
Borrowings	173	2,667	10,480	9,025	1,038
Finance lease liabilities	-	10	9	-	-
Loans from directors	61	182	244	-	-
Trade and other payables	1,663	1,755	964	5,620	2,495
	1,897	**4,614**	**11,697**	**14,645**	**3,533**

Company 2017 R'000	Not later than 1 month	1 month to 3 months	3 to 12 months	1 year to 3 years	More than 3 years
Borrowings	-	-	-	-	-
Loans from group companies	-	-	6,929	-	-
Loans from directors	-	1,523	-	-	-
Trade and other payables	100	4,054	-	4,522	-
	100	**5,577**	**6,929**	**4,522**	**-**

Company 2016 R'000	Not later than 1 month	1 month to 3 months	3 to 12 months	1 year to 3 years	More than 3 years
Borrowings	-	-	-		-
Loans from group companies	-	-	6,932	-	-
Loans from directors	61	182	487	4,582	-
Trade and other payables	291	715	100	5,372	-
	352	**897**	**7,519**	**9,954**	**-**

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Interest rate risk

The sensitivity analyses below has been determined based on the exposure to interest rates for non-derivative instruments at the statement of financial position date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the statement of financial position date was outstanding for the whole year. A 100 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 100 basis points higher or lower and all other variables were held constant, the group's loss for the period would change by R216 035 (2016: R190 368) (company: Rnil (2016: Rnil). The group and company's sensitivity to interest rates has decreased during the current period mainly due to the restructuring in variable rate debt instruments (refer to note 15).

A 100 basis points increase would increase revenue on unsecured lending by an estimated R373 945 (2016: R393,900). A 100 basis points increase would increase finance costs on borrowings linked to prime by an estimated R157 910 (2016: R203 532)(refer to note 15).

36. Events after reporting period

Non-adjusting events

Elite Transaction

In June 2016, Afdawn and Dzothe Finance Solutions ("Dzothe Fin")entered into an revised agreement whereby Afdawn will sell 100% of equity and certain shareholder claim of Elite , PTF1 and PTF2 to Dzothe Fin for a consideration of R20million. African Dawn shareholders approved the Elite transaction in October 2016 . Dzothe paid the R2million deposit but failed to make payment of R10million on Closing Date of transaction and Dzothe was in breach . Afdawn notified Dzothe to remedy breach and after further negotiation Afdawn decided to cancel the transaction on 12 May 2017 in terms of the agreement. Afdawn reserves it rights to claim and recover damages.

Disposal of Property in possession Candlestick

A sales agreement was entered on 8 April 2016, in terms of which the property will be sold for R32 500 000. The group expects to realize R8 373 000 from the sale. The property was transferred on the 10 May 2017 and Candlestick has received their portion of the proceeds and the Nedbank bond , PTF3 and the Blue Dot Liquidator were settled in full..

37. Segment report

The segment information has been prepared in accordance with IFRS 8 - Operating Segments which defines the requirements for the disclosure of financial information of an entity's operating segments. IFRS 8 requires segmentation based on the group's internal organisation and reporting of revenue and operating income based upon internal accounting methods.

The group discloses its operating segments according to the components regularly reviewed by the chief operating decision-makers, being the executive directors. These amounts have been reconciled to the consolidated financial statements. The measures reported by the group are in accordance with the accounting policies adopted for preparing and presenting the consolidated financial statements. Segment revenue excludes value added taxation and includes inter- segment revenue which is R1,515 million (2016: 2,642). Net revenue represents segment revenue from which intersegment revenue has been eliminated. Sales between segments are made on a commercial basis. Segment operating profit before capital items represents segment revenue less segment expenses. Segment expenses consist of operating expenses. Depreciation, amortisation and impairments have been allocated to the segments to which they relate.

The segment assets comprise all assets of the different segments that are employed by the segment and that are either directly attributable to the segment, or can be allocated to the segment on a reasonable basis.

The group's reportable segments are based on the following lines of business:

a. Investment advisory and investment management

This segment consists of the Knife Capital Group which provides investment advisory and investment management services to entrepreneurial and innovative companies.

b. Micro finance

This segment consists of Elite and Elite Two. These companies are involved in micro finance in the unsecured lending industry and have a wide base of customers (mostly individuals).

Notes to the Financial Statements

Annual Financial Statements For the year ended 28 February 2017 continued

c. Rentals of properties in possession

This segment consists of a residential complex with 76 units (a mix of 2 and 3 bedrooms), that are rented out on annual leases to individuals.

d. Other

Other consists of the holding company together with other smaller entities not dealt with in other segments. Segment information has been restated to comply with the segments identified above.

All the segments operate only in South Africa, largely in the Gauteng and Western Cape provinces therefore no geographical information is provided. Similarly all non-current assets are in South Africa.

2017 Group	Investment advisory and investment management R'000	Micro finance R'000	Rentals of properties in possession R'000	Other R'000	Total R'000
Revenue	10,712	21,361	4,753	165	36,991
Cost of sales	366	-	-	-	366
Other income	35	788	484	80	1,387
Investment income	23	29	30	1	84
Finance costs	-	1,434	685	1,126	3,245
Operating expenses	12,581	21,163	4,934	6,202	44,880
Impairment trade and other receivables	261	1,344	(68)	130	1,667
Bad debts actually written off	-	2,641	133	-	2,774
Impairment of goodwill	450	-	-	2,947	3,397
Deemed interest	-	-	-	585	585
Impairment to property in possession	-	-	971	-	971
Depreciation and amortisation	53	527	4	1,380	1,964
Reduction of liability to Nexus liquidator	-	2,162	-	-	2,162
Profit/(loss) before taxation	(2,176)	1,402	(352)	(11,694)	(12,820)
Taxation	(455)	-	193	(370)	(632)
Other comprehensive income	-	-	-	-	-
Total comprehensive	(1,721)	1,402	(545)	(11,324)	(12,188)
Segment total assets	1,766	23,665	16,902	16,452	58,785
Segment total liabilities	1,581	11,692	8,334	26,865	48,472
Intangible assets acquired	30	274	-	-	304
Goodwill	-	-	-	4,679	4,679
Property, plant and equipment acquired	-	44	-	-	44

Notes to the Financial Statements

Annual Financial Statements for the year ended 28 February 2017 continued

2016	Investment advisory and investment management R'000	Micro finance R'000	Rentals of properties in possession R'000	Other R'000	Total R'000
Revenue external	8,641	24,348	5,315	(975)	37,329
Cost of sales	984			(145)	839
Other income	(8)	922	6	2,990	3,910
Investment income	81	1	2	262	346
Finance costs	-	2,031	736	251	3,018
Operating expenses	8,166	22,342	6,596	5,732	42,836
Impairment trade and other receivables (refer to note 11)	-	1,317	589	-	1,906
Bad debts actually written off	-	2,168	293	44,145	46,606
Fair value adjustments	-	-	-	-	-
Deemed interest expense	-	460	-	92	552
Impairment of property in possession	-	-	3,284	-	3,284
Depreciation and amortisation	39	648	2	1,376	2,065
Profit/(loss) before taxation	(435)	1,617	(2,010)	(6,116)	(6,944)
Taxation	(102)	(62)	499	(369)	(34)
Other comprehensive income	-	-	-	-	-
Total comprehensive	(333)	1,679	(2,509)	(5,747)	(6,910)
Segment total assets	3,340	28,480	17,512	22,704	72,036
Segment total liabilities	1,434	40,911	21,306	(14,116)	49,535
Intangible assets acquired	299	47	-	-	346
Goodwill	-	-	-	8,076	8,076
Property, plant and equipment acquired	55	505	10	-	570

38. Guarantees

The company has provided a guarantee to National Housing Finance Corporation for a loan facility of R25 million provided to Elite. The outstanding balance on the loan as at 28 February 2017 was R1.4 million (2016 R2.5 million). In terms of the guarantee Afdawn will assume responsibility for the loan if Elite defaults on the loan.

Notes to the Financial Statements

Annual Financial Statements For the year ended 28 February 2017 continued

39. Loss per share

Basic and diluted loss per share

Basic loss per share are calculated by dividing the loss attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares held as treasury shares (refer to note 14).

Basic and diluted loss per share

	2017 c	2016 c
From operations (c per share)	(55.6)	(31.6)
	(55.6)	**(31.6)**

Reconciliation of loss for the year to basic loss

Loss from operations	(12,188)	(6,910)
Basic loss per share	(12,188)	(6,910)

Reconciliation of weighted average number of ordinary shares used for basic loss per share and headline and diluted headline loss per share

	2017 '000	2016 '000
Number of ordinary shares in issue	877,002	877,002
Adjusted for:		
Share consolidation @ 1 share per 40 held	(855,077)	-
Restatement of prior year	-	(855,077)
Weighted average number of shares used for loss and headline loss per share	**21,925**	**21,925**

Headline loss per share

	2017 c	2016 c
Headline loss per share (c)	(40.1)	(31.6)

Headline loss 2017 R'000	**Gross**	**Tax**	**Net**
Loss from operations	(12,820)	632	(12,188)
Profit on disposal of property, plant and equipment	5	(1)	4
Impairment of goodwill	3,397	-	3,397
Headline loss from operations	**(9,418)**	**631**	**(8,787)**

Headline loss 2016 R'000	**Gross**	**Tax**	**Net**
Loss from operations	(6,944)	34	(6,910)
Loss on disposal of property, plant and equipment	(13)	4	(9)
	(6,957)	**38**	**(6,919)**

Notes to the Financial Statements

Annual Financial Statements For the year ended 28 February 2017 continued

40. Restrictions

Various contracts have restrictions in them that limit access to the assets by the Group. These restrictions are explained below:

2017 - Existing as at year end

Sandown Capital Proprietary Limited

No amounts can be paid to Afdawn by Elite until all amounts owing to Sandown Capital Proprietary Limited have been settled. The carrying amount of the liabilities is R7,231 million (2016: R10,213 million) (refer to note 15 which deals with borrowings owed to Sandown).

Elite Cell

The cash in Elite Cell can only be accessed if a claim is submitted to Guardrisk or if Elite Cell declares a dividend. The carrying amount is R0 million (2016: R0,312 million). Refer to note 7.

Shareholders' Analysis

African Dawn Capital Limited: Shareholder Analysis Tables

SHAREHOLDER SPREAD	No. of shareholders	%	No. of Shares	%
1 - 1 000 shares	1,377	62,48	325	1,48
1 001 - 10 000 shares	600	27,22	2,097	9,56
10 001 - 100 000 shares	204	9,26	5,856	26,71
100 001 - 1 000 000	20	0,91	7,208	32,88
1 000 001 and over	3	0,14	6,439	29,37
Total	**2,204**	**100**	**21,925**	**100**

DISTRIBUTION OF SHAREHOLDERS	No. of shareholders	%	No. of Shares	%
Banks	6	0,27	85	0,39
Brokers	15	0,68	106	0,49
Close Corporations	29	1,32	1,281	5,84
Endowment Funds	2	0,09	1	0,00
Individuals	2,025	91,88	15,007	68,45
Nominees And Trusts	68	3,09	629	2,87
Other Corporations	21	0,95	101	0,46
Pension Funds	2	0,09	27	0,12
Private Companies	36	1,63	4,688	21,38
Total	**2,204**	**100**	**21,925**	**100**

PUBLIC / NON - PUBLIC SHAREHOLDERS	No. of shareholders	%	No. of Shares	%
Non - Public Shareholders	3	0,14	3,363	15,34
Directors of the Company	2	0,09	63	0,29
Strategic Holdings (10% or more)	1	0,05	3,300	15,05
Public Shareholders	2,201	99,86	18,562	84,66
Total	**2,204**	**100**	**21,925**	**100**

BENEFICIAL SHAREHOLDERS HOLDING OF 2% OR MORE	No. of Shares	%
Brown, NRO	3,300,000	15,05
Sandown Capital (Pty) Ltd	1,992,500	9,09
Shock Proof Investment 20 (Pty) Ltd	1,151,240	5,25
Van Heerden, EA	833,333	3,80
Van Zyl, JK	833,333	3,80
Bohmert, A	833,333	3,80
Toothrock Investments CC	803,979	3,67
Blue Monster (Pty) Ltd	733,244	3,34
Universal Pulse Trading 132 (Pty) Ltd	500,000	2,28

Shareholders' Analysis continued

Breakdown of Non-Public Holdings

DIRECTORS OF THE COMPANY	No. of Shares	% of Shares
Hope, GB	58,750	0,27
Groenewald, WJ	3,952	0,02
Total	**62,702**	**0,29**

STRATEGIC HOLDINGS (10% OR MORE)	No. of Shares	% of Shares
Brown, NRO	3,300,000	15,05
Total	**3,300,000**	**15,05**

BENEFICIAL SHAREHOLDERS HOLDING OF 2% OR MORE (APPEARED TWICE OR MORE IN THE REGISTER)	No. of Shares	% of Shares
Shock Proof Investment 20 (Pty) Ltd	**1,151,240**	**5,25**

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

African Dawn Capital Limited
Imcorporated in the Republic of South Africa
Registration number: 1995/020520/06
ISIN: ZAE000223194

Notice is hereby given of the annual general meeting of shareholders of African Dawn Capital Limited ("the Company or "the Group") to be held in the boardroom at Statucor, 2nd Floor, Block D, The Boulevard, Searle Street, Woodstock, on 18 October 2017, at 10h00 ("the Annual General Meeting").

If you are in any doubt as to what action you should take in respect of the following resolutions, please consult your Central Securities Depository Participant ("CSDP"), broker, banker, attorney, accountant or other professional adviser immediately.

The board of directors of the Company ("the Board") has determined that, in terms of section 62(3)(a), as read with section 59 of the Companies Act, 2008 (Act 71 of 2008), as amended ("Companies Act"), the record date for shareholders to be recorded on the securities register of the Company in order to receive Notice of the Annual General Meeting is Friday, 25 August 2017. Further the record date determined by the Board for the purposes of determining which shareholders of the Company are entitled to participate in and vote at the Annual General Meeting is Friday, 13 October 2017. Accordingly, the last day to trade Company's shares in order to be recorded in the Register to be entitled to vote will be Tuesday, 10 October 2017.

Purpose

The purpose of the Annual General Meeting is to transact the business set out in the agenda below.

Agenda

- Presentation of the audited annual financial statements of the Company, including the reports of the directors and the audit and risk committee for the year ended 28 February 2017. The annual report, of which this notice forms part, contains the summarised group financial statements and the aforementioned reports. The annual financial statements, including the unmodified audit opinion, are available on the Company's website at www.afdawn.co.za, or may be requested and obtained in person, at no charge, at the registered office of the Company during office hours.

- To consider and, if deemed fit, approve, with or without modification, the following ordinary resolutions:

Note: *For any of the ordinary resolutions numbers 1 to 6 to be adopted, more than 50% of the voting rights exercised on each such ordinary resolution must be exercised in favour thereof. For ordinary resolution number 7 to be adopted, at least 75% of the voting rights exercised on such ordinary resolution must be exercised in favour thereof.*

1.1 ORDINARY RESOLUTION NUMBER 1 - RE-ELECTION OF MR S ROPER AS A INDEPENDENT NON EXECUTIVE DIRECTOR

"Resolved that Mr S Roper who, in terms of Article 29.3.6 of the Company's Memorandum of Incorporation, retires by rotation at this Annual General Meeting but, being eligible to do so, offers himself for re-election be and is hereby re-elected."

Summary curriculum vitae of Mr S Roper ("Stephen"):

Stephen holds a Hons BCompt, PG Dip Tax Law, PG Dip Financial Policy, and is a chartered accountant with 28 years' experience. He has extensive experience in investments having served in the research team of one of South Africa's largest fund managers. During this time he had responsibility for investment research of industrial companies in South Africa. He has also served on the private equity investment committee of that fund manager and has corporate finance and business rescue experience. He currently practices in the area of strategic management.

The reason for ordinary resolution numbers 1 is that the memorandum of incorporation of the Company, the Listings Requirements of the JSE Ltd and, to the extent applicable, the South African Companies Act, 71 of 2008, as amended ("the Companies Act"), require that a component of the non-executive directors rotate at every annual general meeting of the Company and, being eligible, may offer themselves for re-election as directors.

1.2 ORDINARY RESOLUTION NUMBER 2 – RE-APPOINTMENT OF MS H HICKEY TO THE AUDIT AND RISK COMMITTEE

"Resolved that pursuant to the requirements of section 94(2) of the Companies Act, Ms H Hickey, a non-executive, independent director of the Company, be and is hereby re-appointed as a member of the Audit and Risk Committee, as recommended by the Board of directors of the Company until the next Annual General Meeting."

Summary curriculum vitae of Ms H Hickey ("Hester").

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS continued

Hester was appointed as a non-executive director on 21 February 2011. She is a chartered accountant and consults to various companies specializing in risk and governance. She also performs the Board evaluation processes for the Institute of Directors. She is currently non-executive director and audit committee Chair for Omnia Holdings Limited, Pan African Resources Plc and a nonexecutive director of Cashbuild Limited. She is a past Chairman of the South African Institute of Chartered Accountants and has worked in senior positions for a number of listed companies and serves on several audit committees. Hester lectured auditing at the University of the Witwatersrand and was a member of the King II task team.

1.3 ORDINARY RESOLUTION NUMBER 3 – RE-APPOINTMENT OF MS V LESSING TO THE AUDIT AND RISK COMMITTEE

"Resolved that pursuant to the requirements of section 94(2) of the Act, Ms V Lessing, a non-executive independent director of the Company, be and is hereby re-appointed as a member of the Audit and Risk Committee as recommended by the Board of directors of the Company until the next Annual General Meeting.".

Summary curriculum vitae of Ms V Lessing ("Vanya"):

Vanya was appointed as an independent non-executive director of the Company on 29 May 2013. Vanya is the CEO of the Sure Travel Group, responsible for managing the interests of shareholders, licensees and suppliers. The Sure Travel Group manages the interests of 100 travel companies in South Africa and Namibia. Vanya is the former CEO of ASATA (Association of Southern African Travel Agents). During her tenure there (2001 - 2005), she led the travel industry through change and a series of sensitive negotiations, resulting in a new industry business model. Vanya has extensive experience in collaboration and interaction with SME's, expediting turnaround strategies. Her strong negotiating skills brings 'on the ground' expertise to the Board. Vanya is also a Board member of Sure Holdings (Pty) Ltd, ASATA and Worldwide Independent Travel Network Ltd (WIN).

1.4 ORDINARY RESOLUTION NUMBER 4 – RE-APPOINTMENT OF MR S ROPER TO THE AUDIT AND RISK COMMITTEE

"Resolved that pursuant to the requirements of section 94(2) of the Act to appoint Mr S Roper, a non-executive independent director of the Company, be and is hereby re-appointed as a member of the Audit and Risk Committee as recommended by the Board of directors of the Company until the next Annual General Meeting."

Note: The curriculum vitae of Mr S Roper has been included in paragraph 1.1 above.

The reason for ordinary resolutions numbers 2 to 4 (inclusive) is that the Company, being a public listed company, must appoint an audit committee and the Companies Act requires that the members of such audit committee be appointed, or re-appointed, as the case may be, at each annual general meeting of a company.

1.5 ORDINARY RESOLUTION NUMBER 5 – RE-APPOINTMENT OF THE INDEPENDENT REGISTERED AUDITOR

"Resolved that pursuant to the requirements of section 90(1) read with section 61(8)(c) of the Companies Act, and as nominated by the Company's Audit and Risk Committee, Grant Thornton be and is hereby re-appointed as the independent auditors of the Company for the financial year ending 28 February 2018, with Mr Imtiaaz Hashim being the individual registered auditor who has undertaken the audit of the Company for the ensuing financial year and to authorise the Audit and Risk Committee to determine the auditor's remuneration."

The reason for ordinary resolution number 5 is that the Company, being a public listed company, must have its financial results audited and such auditor must be appointed or re-appointed each year at the annual general meeting of the Company as required by the Companies Act.

1.6 ORDINARY RESOLUTION NUMBER 6 – NON-BINDING ENDORSEMENT OF AFDAWN'S REMUNERATION POLICY

"Resolved that the shareholders endorse, by way of on a non-binding advisory vote, the Company's remuneration policy as set out on pages 10 to 12 of this Annual Report."

The reason for ordinary resolution number 6 is that the King Code of Governance Principles ("King III") recommends that the remuneration policy of the Company be endorsed through a non-binding advisory vote by shareholders

1.7 ORDINARY RESOLUTION NUMBER 7 – GENERAL AUTHORITY TO ISSUE ORDINARY SHARES FOR CASH

"Resolved that the directors of the Company from time to time be and are hereby authorised, by way of a general authority, to issue all or any of the authorised but unissued ordinary shares in the capital of the Company, or to allot, issue and grant options to subscribe for, all or any of the authorised but unissued ordinary shares in the capital of the Company, for cash, as and when they in their sole discretion deem fit, subject to the provisions of the Companies Act, the Memorandum of Incorporation of the Company and the JSE Listings Requirements as amended from time to time, provided that:

- this general authority will be valid until the earlier of the Company's next Annual General Meeting or the expiry of a period of 15 (fifteen) months from the date that this authority is given;
- the securities which are the subject of the issue for cash must be of a class already in issue, or where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS continued

- any such issue may only be made to "public shareholders" as defined in the JSE Listings Requirements and not to related parties;
- the securities which are the subject of a general issue for cash may not exceed 10% (ten percent) of the number of listed securities, excluding treasury shares, as at the date of this notice, being 2 192 502 securities. Any securities issued under this authorisation during the period of 15 (fifteen) months from the date that this authorisation will be deducted from the aforementioned listed securities. In the event of a sub-division or a consolidation during the period contemplated above the authority will be adjusted to represent the same allocation ratio;
- in determining the price at which securities may be issued in terms of this authority, the maximum discount permitted will be 10% (ten percent) of the weighted average traded price of such securities measured over the 30 (thirty) business days prior to the date that the price of the issue is agreed in writing between the issuer and the party/ies subscribing for the securities;
- an announcement giving full details, including the number of securities issued, the average discount to the weighted average traded price of the securities over 30 (thirty) business days prior to the date that the issue is agreed in writing between the issuer and the parties subscribing for the securities and the impact on net asset value per share, net tangible asset value per share, earnings per share and headline earnings per share and, if applicable, diluted earnings and headline earnings per share, will be published when the Company has issued securities representing, on a cumulative basis within the earlier of the Company's next Annual General Meeting or the expiry of a period of 15 (fifteen) months from the date that this authority is given, 10% (ten percent) or more of the number of securities in issue prior to the issue; and
- whenever the Company wishes to use repurchased shares, held as treasury stock by a subsidiary of the Company, such use must comply with the JSE Listings Requirements as if such use was a fresh issue of ordinary shares.

For listed entities wishing to issue shares for cash (other than issues by way of rights offers, in consideration for acquisitions and/or to duly approved share incentive schemes, it is necessary for the board of the Company to obtain the prior authority of the shareholders in accordance with the Listings Requirements and the memorandum of incorporation of the Company. Accordingly, the reason for ordinary resolution number 7 is to obtain a general authority from shareholders to issue shares for cash in compliance with the Listings Requirements and the memorandum of incorporation of the Company.

For this resolution to be adopted, at least 75% (seventy five percent) of the shareholders present in person or by proxy and entitled to vote on this resolution at the AGM must cast their vote in favour of this resolution.

2. SPECIAL RESOLUTIONS

To consider and if deemed fit, to pass, with or without modification, the following special resolutions. The percentage of voting rights that will be required for the adoption of each special resolution is the support of at least 75% (seventy five percent) of the voting rights exercised on the resolution.

2.1 SPECIAL RESOLUTION NUMBER 1 – NON-EXECUTIVE DIRECTORS' FEES

"Resolved that, as a special resolution , unless otherwise determined by the Company in general meeting, the following annual fees payable by the Company to its non-executive directors for their services as directors, with effect from 01 March 2017, be and hereby are approved:

Position	Proposed fee for the year ended 28 February 2018 R
Committee and Board Member	144,000

The reason for special resolution number 1 is for the Company to obtain the approval of shareholders by way of a special resolution for the payment of remuneration to its non-executive directors in accordance with the requirements of the Companies Act.

The effect of special resolution number 1 is that the Company will be able to pay its non-executive directors for the services they render to the Company as directors without requiring further shareholder approval until the next annual general meeting of the Company.

2.2 SPECIAL RESOLUTION NUMBER 2 - GENERAL APPROVAL TO ACQUIRE OWN SHARES

"Resolved, as a special resolution, that the Company and the subsidiaries of the Company be and are hereby authorised, as a general approval, to repurchase any of the shares issued by the Company, upon such terms and conditions and in such amounts as the directors may from time to time determine, but subject to the provisions of sections 46 and 48 of the Companies Act, the memorandum of incorporation of the Company and the Listings Requirements, including, inter alia, that:

- the general repurchase of the shares may only be implemented through the order book operated by the JSE trading system and done without any prior understanding or arrangement between the Company and the counterparty;
- this general authority shall only be valid until the next annual general meeting of the Company, provided that it shall not extend beyond fifteen months from the date of this resolution;

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS continued

- an announcement must be published as soon as the Company has acquired shares constituting, on a cumulative basis, 3% of the number of shares in issue on the date that this authority is granted, „ containing full details thereof, as well as for each 3% in aggregate of the initial number of shares acquired thereafter;
- the general authority to repurchase is limited to a maximum of 10% in the aggregate in any one financial year of the Company's issued share capital at the time the authority is granted;
- a resolution has been passed by the board of directors approving the purchase, that the Company has satisfied the solvency and liquidity test as defined in the Companies Act and that, since the solvency and liquidity test was applied, there have been no material changes to the financial position of the Company and its subsidiaries ("the Group");
- the general repurchase is authorised by the Company's memorandum of incorporation;
- repurchases must not be made at a price more than 10% above the weighted average of the market value of the shares for the five business days immediately preceding the date that the transaction is effected. The JSE will be consulted for a ruling if the Company's securities have not traded in such five business day period;
- the Company may at any point in time only appoint one agent to effect any repurchase(s) on the Company's behalf; and
- the Company may not effect a repurchase during any prohibited period as defined in terms of the Listings Requirements unless there is a repurchase programme in place, which programme has been submitted to the JSE in writing prior to the commencement of the prohibited period and executed by an independent third party, as contemplated in terms of paragraph 5.72(h) of the Listings Requirements."

The reason for and effect of special resolution number 2 is to grant the directors a general authority in terms of its memorandum of incorporation and the Listings Requirements for the acquisition by the Company or by a subsidiary of the Company of shares issued by the Company on the basis reflected in special resolution number 2. The Company has no immediate plans to use this authority and is simply obtaining same in the interests of prudence and good corporate governance should the unforeseen need arise to use the authority.

In terms of section 48(2) (b)(i) of the Companies Act, subsidiaries may not hold more than 10%, in aggregate, of the number of the issued shares of a Company. For the avoidance of doubt, a pro rata repurchase by the Company from all its shareholders will not require shareholder approval, save to the extent as may be required by the Companies Act.

2.3 SPECIAL RESOLUTION NUMBER 3: INTER-COMPANY FINANCIAL ASSISTANCE

"Resolved, in terms of section 45(3)(a)(ii) of the Companies Act, as a general approval, that the board of the Company be and is hereby authorised to approve that the Company provides any direct or indirect financial assistance ("financial assistance" will herein have the meaning attributed to it in section 45(1) of the Companies Act) that the board of the Company may deem fit to any company or corporation that is related or inter-related ("related" or "inter-related" will herein have the meaning attributed to it in section 2 of the Companies Act) to the Company, on the terms and conditions and for amounts that the board of the Company may determine, provided that the aforementioned approval shall be valid until the date of the next annual general meeting of the Company."

The reason for and effect of special resolution number 3 is to grant the directors of the Company the authority, until the next annual general meeting of the Company, to provide direct or indirect financial assistance to any company or corporation which is related or inter-related to the Company. This means that the Company is, inter alia, authorised to grant loans to its subsidiaries and to guarantee the debt of its subsidiaries.

2.4 SPECIAL RESOLUTION NUMBER 4: FINANCIAL ASSISTANCE FOR THE SUBSCRIPTION AND/OR PURCHASE OF SHARES IN THE COMPANY OR A RELATED OR INTER-RELATED COMPANY

"Resolved, in terms of section 44(3)(a)(ii) of the Companies Act, as a general approval, that the board of the Company be and is hereby authorised to approve that the Company provides any direct or indirect financial assistance ("financial assistance" will herein have the meaning attributed to it in sections 44(1) and 44(2) of the Companies Act) that the board of the Company may deem fit to any company or corporation that is related or inter-related to the Company ("related" or "inter-related" will herein have the meaning attributed to it in section 2 of the Companies Act) and/or to any financier who provides funding by subscribing for preference shares or other securities in the Company or any company or corporation that is related or inter-related to the Company, on the terms and conditions and for amounts that the board of the Company may determine for the purpose of, or in connection with the subscription of any option, or any shares or other securities, issued or to be issued by the Company or a related or inter-related company or corporation, or for the purchase of any shares or securities of the Company or a related or inter-related company or corporation, provided that the aforementioned approval shall be valid until the date of the next annual general meeting of the Company."

The reason for and effect of special resolution number 4 is to grant the directors the authority, until the next annual general meeting of the Company, to provide financial assistance to any company or corporation which is related or inter-related to the Company and/or to any financier for the purpose of or in connection with the subscription or purchase of options, shares or other securities in the Company or any related or inter-related company or corporation. This means that the Company is authorised, inter alia, to grant loans to its subsidiaries and to guarantee and furnish security for the debt of its subsidiaries where any such financial assistance is directly or indirectly related to a party subscribing for options, shares or securities in the Company or its subsidiaries. A typical example of where the Company may rely on this authority is where a subsidiary raised funds by way of issuing preference shares and the third-party funder requires the Company to furnish security, by way of a

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS continued

guarantee or otherwise, for the obligations of its subsidiary to the third-party funder arising from the issue of the preference shares. The Company has no immediate plans to use this authority and is simply obtaining same in the interests of prudence and good corporate governance should the unforeseen need arise to use the authority.

In terms of and pursuant to the provisions of sections 44 and 45 of the Companies Act, the directors of the Company confirm that the board will satisfy itself, after considering all reasonably foreseeable financial circumstances of the Company, that immediately after providing any financial assistance as contemplated in special resolution numbers 3 and 4 above:

- the assets of the Company (fairly valued) will equal or exceed the liabilities of the Company (fairly valued) (taking into consideration the reasonably foreseeable contingent assets and liabilities of the Company);
- the Company will be able to pay its debts as they become due in the ordinary course of business for a period of 12 months;
- the terms under which any financial assistance is proposed to be provided, will be fair and reasonable to the Company; and
- all relevant conditions and restrictions (if any) relating to the granting of financial assistance by the Company as contained in the Company's memorandum of incorporation have been met.

3. OTHER BUSINESS

To transact such other business as may be transacted at the Annual General Meeting of the shareholders.
Information relating to the special resolutions

1. The directors of the Company or its subsidiaries will only utilise the general authority to repurchase shares of the Company as set out in special resolution number 2 to the extent that the directors, after considering the maximum number of shares to be purchased, are of the opinion that the position of the Group would not be compromised as to the following:

- the Company's ability in the ordinary course of business to pay its debts for a period of 12 months after the date of this Annual General Meeting and for a period of 12 months after the repurchase;
- the consolidated assets of the Company will at the time of the Annual General Meeting and at the time of making such determination be in excess of the consolidated liabilities of the Company. The assets and liabilities should be recognised and measured in accordance with the accounting policies used in the latest audited annual financial statements of the Company;
- the ordinary capital and reserves of the Company after the repurchase will remain adequate for the purpose of the business of the Company for a period of 12 months after the Annual General Meeting and after the date of the share repurchase; and
- the working capital available to the Company after the repurchase will be sufficient for the Company's requirements for a period of 12 months after the date of the notice of the Annual General Meeting.

General information in respect of major shareholders, material changes and the share capital of the Company is contained in the annual report of which this notice forms part, as well as the full set of annual financial statements, being available on the Company's website at www.afdawn.co.za or which may be requested and obtained in person, at no charge, at the registered office of the Company during office hours.

2. The directors, whose names appear on page 29 of the annual report of which this notice forms part, collectively and individually accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this notice of Annual General Meeting contains all information required by the Listings Requirements.

ATTENDANCE AND VOTING BY SHAREHOLDERS OR PROXIES

1. Shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration are entitled to attend and vote at the Annual General Meeting and are entitled to appoint a proxy or proxies (for which purpose a form of proxy is attached hereto) to attend, speak and vote in their stead. The person so appointed as proxy need not be a shareholder of the Company. Forms of proxy must be lodged with the transfer secretaries of the Company, Computershare Investor Services Proprietary Limited, Rosebank Towers,15 Biermann Avenue, Sandton, 2196, South Africa, or posted to the transfer secretaries at PO Box 61051, Marshalltown, 2107, South Africa, to be received by no later than 09:00 on Monday, 16 October 2017 (or 48 (forty-eight) hours before any adjournment of the Annual General Meeting which date provided that any form of proxy not delivered to the transfer secretary by this time may be handed to the chairman of the Annual General Meeting at any time prior to the commencement of the Annual General Meeting, if necessary, will be notified on SENS).

Forms of proxy must only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares with "own name" registration.

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS continued

On a show of hands, every person present and entitled to exercise voting rights shall be entitled to one vote, irrespective of the number of votes that person would otherwise be entitled to exercise. On a poll, every holder of ordinary shares shall be entitled to one vote per ordinary share held. Shareholders who have dematerialised their shares, other than those shareholders who have dematerialised their shares with "own name" registration, should contact their Central Securities Depository Participant ("CSDP") or broker in the manner and time stipulated in their agreement:

- to furnish them with their voting instructions; or
- in the event that they wish to attend the meeting, to obtain the necessary authority to do so.

Shareholders or their proxies may participate in the meeting by way of a teleconference call and, if they wish to do so:

- must contact the Company Secretary: alun@statucor.co.za or +27 21 460 6300;
- will be required to provide reasonably satisfactory identification; and
- will be billed separately by their own telephone service providers for their telephone call to participate in the meeting.

Please note that shareholders or their proxies will not be entitled to exercise voting rights at the meeting by way of teleconference call; a shareholder or proxy has to be physically present at the meeting in order to vote.

VOTING EXCLUSIONS

Equity securities held by a share trust or scheme, and unlisted securities will not have their votes taken into account at the Annual General Meeting for the purposes of resolutions proposed in terms of the JSE Listings Requirements.

PROOF OF IDENTIFICATION REQUIRED

In terms of the Companies Act, any shareholder or proxy who intends to attend or participate at the Annual General Meeting must be able to present reasonably satisfactory identification at the meeting for such shareholder or proxy to attend and participate at the Annual General Meeting. A green bar-coded identification document issued by the South African Department of Home Affairs, a driver's licence or a valid passport will be accepted at the Annual General Meeting as sufficient identification.

By order of the Board

STATUCOR (PTY) LTD
Represented by AJ Rich
Company Secretary

Form of proxy

For the use of shares who are:

1. Registered as such and who have not dematerialised their African Dawn ordinary shares; or
2. Hold dematerialised African Dawn ordinary shares in their own name.

At the African Dawn annual general meeting to be held in the boardroom, Statucor, 2nd Floor, Block D, The Boulevard, Searle Street, Woodstock, 7925, on Wednesday, 18 October 2017, at 10h00 ("the annual general meeting").

Dematerialised shareholders holding shares other than with "own name" registration, must inform their Participant or broker of their intention to attend the annual general meeting and request their Participant or broker to issue them with the necessary letter of representation to attend the annual general meeting in person and vote or provide their Participant or broker with their voting instructions should they not wish to attend the annual general meeting in person. These shareholders must not use this form of proxy.

I/We (please print name in full) ____________________

of (address) ____________________
Being a shareholder(s) of African Dawn and holding ____________ ordinary shares hereby appoint (name in block letters)

1. ____________________ or failing him
2. ____________________ or failing him

3. The Chairman of the annual general meeting as my/our proxy to act for me/us at the annual general meeting which will be held on Wednesday, 18 October 2017 in the boardroom of Statucor, 2nd Floor, Block D, The Boulevard, Searle Street, Woodstock, 7925 for the purposes of considering and, if deemed fit, passing with or without modification, the resolutions to be proposed thereat and at each adjournment or postponement thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares in the issued share capital of the Company registered in my/our name(s) (see note 2).

		Number of votes (one vote per ordinary share)		
Ordinary Resolutions	Agenda Item	For	Against	Abstain
Ordinary resolution 1	Re-election of Mr S Roper as a director			
Ordinary resolution 2	Re-Appointment of Ms H Hickey to the audit and risk committee			
Ordinary resolution 3	Re-Appointment of Ms V Lessing to the audit and risk committee			
Ordinary resolution 4	Re-Appointment of Mr S Roper to the audit and risk committee			
Ordinary resolution 5	Re-Appointment of the independent registered auditor			
Ordinary resolution 6	Non-binding endorsement of African Dawn's remuneration policy			
Ordinary resolution 7	General authority to issue ordinary shares for cash			
Special resolutions	Agenda item	For	Against	Abstain
Special resolution 1	Approval of the non-executive directors' remuneration			
Special resolution 2	General approval to acquire own shares			
Special resolution 3	Inter-company financial assistance			
Special resolution 4	Financial assistance for acquisition of shares in a related or inter-related company			

Please indicate with an "X" in the appropriate spaces above how you wish your votes to be cast.
Unless otherwise instructed, my/our proxy may vote as he/she thinks fit.

Signed at ____________________ on ____________________ 2017

Signature ____________________
Assisted by (where applicable) ____________________
Number of shares ____________________

Each shareholder is entitled to appoint one or more proxies (who need not be a shareholder of the Company) to attend, speak and vote in place of that shareholder at the annual general meeting.
Please read the notes below

Form of proxy continued

NOTES TO PROXY

2. A shareholder may insert the name or names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the Chairman of the annual general meeting" but any such deletion must be initialled by the shareholder.
3. A shareholder's instruction to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the space provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the annual general meeting as he deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or his proxy is not obliged to use all the votes exercisable by the shareholder or his proxy, or cast them in the same way.
4. An alteration or correction made to this form must be initialled by the signatory/ies.
5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity must be attached to this form unless previously recorded by the transfer secretaries or waived by the Chairman of the annual general meeting.
6. The completion and lodging of this form will not preclude the relevant shareholder from attending the annual general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms thereof, should such shareholder wish to do so.
7. The Chairman of the annual general meeting may reject or accept any form of proxy which is completed and/or received other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.
8. A minor must be assisted by his/her parent/guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the Company.
9. Where there are joint holders of any shares:

- Any one holder may sign this form of proxy;
- The vote(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of shareholders appear in the company's register of shareholders) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).

10. Forms of proxy must be lodged with or posted to the Company's transfer secretaries' offices in Johannesburg (Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Avenue , Sandton, 2196; PO Box 61051, Marshalltown, 2107) to be received no later than 09h00 on Monday, 16 October 2017 provided that any form of proxy not delivered to the transfer secretary by this time may be handed to the chairman of the Annual General Meeting at any time prior to the commencement of the Annual General Meeting .

Shareholders' Diary

Financial year end	28 February 2018
Publication of financial results for the year	31 May 2018
Ordinary share cash dividend	
Annual report posted to shareholders	31 August 2018
Publication of interim results	November 2018

Corporate information

DIRECTORS as at 21 August 2016
WJ Groenewald * • HH Hickey # • V Lessing # • SM Roper # • G Hope *
* Executive # Independent non-executive

Please refer to page 6 and 7 for further details on each director.

AUDITORS
Grant Thornton Cape Inc

COMPANY REGISTRATION NUMBER
1998/020520/06

DOMICILE
Republic of South Africa

SECRETARY
A Rich (on behalf of Statucor Proprietary Limited)

REGISTERED OFFICE
3RD Floor, The Village at Horizon, Corner of Sonop and Ontdekkers Roads, Horizon View, 1724, Gauteng

POSTAL ADRESS
PO Box 5455, Weltevreden Park, 1715, Gauteng

COUNTRY OF INCORPORATION
Republic of South Africa

TRANSFER SECRETARY
Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank 2196

BANKERS
Absa Bank Limited
First National Bank Limited

TELEPHONE
(021) 914 5566

DESIGNATED ADVISOR
PSG Capital (Pty) Limited

ENQUIRIES
info@afdawn.co.za