AFRICAN DAWN
CAPITAL LIMITED

# Unaudited Consolidated Statements for six months ended 31 August 2018

AFRICAN DAWN CAPITAL LIMITED
(Incorporated in the Republic of South Africa)
(Registration number 1998/020520/06)
JSE code: ADW
ISIN: ZAE000060703
"Afdawn" or "the Company" or "the Group"

# Consolidated Statements of Financial Position as at 31 August 2018

| | 31 August 2018 R'000 (Unaudited) | 31 August 2017 R'000 (Unaudited/ Restated*) | 28 February 2018 R'000 (Audited) |
|---|---|---|---|
| **Assets** | | | |
| Non-Current Assets | | | |
| Property, plant and equipment | 354 | 524 | 400 |
| Goodwill | - | 4,195 | - |
| Intangible assets | 540 | 2,317 | 921 |
| Deferred tax | 26 | 700 | 26 |
| | **920** | **7,736** | **1,347** |
| **Current Assets** | | | |
| Trade and other receivables | 20,025 | 26,723 | 22,851 |
| Cash and cash equivalents | 682 | 920 | 429 |
| | **20,707** | **27,643** | **23,280** |
| **Total Assets** | **21,627** | **35,379** | **24,627** |
| **Equity and Liabilities** | | | |
| Equity | | | |
| Share capital and share premium | 313,943 | 313,943 | 313,943 |
| Accumulated loss | (310,586) | (307,540) | (305,825) |
| Non-controlling interest | - | (67) | (114) |
| | **3,357** | **6,336** | **8,004** |
| **Liabilities** | | | |
| Non-Current Liabilities | | | |
| Deferred tax | - | 371 | - |
| Borrowings | 3,081 | 5,131 | 4,031 |
| | **3,081** | **5,502** | **4,031** |
| **Current Liabilities** | | | |
| Current tax payable | 2,247 | 16,291 | 5,705 |
| Borrowings | 6,399 | 4,207 | 4,259 |
| Loans from directors | 3,257 | - | 685 |
| Operating lease liability | 62 | - | 62 |
| Trade and other payables | 3,224 | 3,043 | 1,881 |
| | **15,189** | **23,541** | **12,592** |
| **Total Liabilities** | **18,270** | **29,043** | **16,623** |
| **Total Equity and Liabilities** | **21,627** | **35,379** | **24,627** |

* Refer to note 15 for details on the restatement.

# Consolidated Statement of Profit or Loss and other Comprehensive Income for the six months ended 31 August 2018

| | 31 August 2018<br>R'000<br>(Unaudited) | 31 August 2017<br>R'000<br>(Unaudited/<br>Restated*) | 28 February 2018<br>R'000<br>(Audited) |
|---|---|---|---|
| **Continuing Operations** | | | |
| Revenue | 7,881 | 10,942 | 17,409 |
| Cost of sales | (77) | (38) | (116) |
| **Gross profit** | **7,804** | **10,904** | **17,293** |
| Other income | 238 | 38 | 1,599 |
| Operating expenses | (12,077) | (12,677) | (31,348) |
| **Operating loss** | **(4,035)** | **(1,735)** | **(12,456)** |
| Investment income | 1 | - | 27 |
| Deemed interest expense | - | - | 433 |
| Gain on SARS settlement | - | - | 11,809 |
| Gain on reversal of SME Snapshot transaction - note 7 | 419 | - | |
| Impairment of goodwill on acquisition SME Snapshot | | (211) | - |
| Amortisation to intangible assets | - | (229) | - |
| Finance costs | (727) | (657) | (1,114) |
| **Loss before taxation** | **(4,342)** | **(2,832)** | **(1,301)** |
| Taxation | - | 387 | 4 |
| **Loss for the year from continuing operations** | **(4,342)** | **(2,445)** | **(1,297)** |
| **Loss from discontinued operations - note 14** | - | **(1,884)** | **(1,364)** |
| **Total comprehensive loss** | **(4,342)** | **(4,329)** | **(2,661)** |
| **Loss attributable to:** | | | |
| Owners of the parent: | (4,295) | (4,262) | (2,614) |
| Outside shareholders share of income | (47) | (67) | (47) |
| Basic loss per share (c) | (19.8) | (19.8) | (12.1) |
| Headline loss per share (c) | (19.8) | (16.6) | (7.9) |

* Refer to note 15 for details on the restatement.

# Consolidated Statements of Changes in Equity for the six months ended 31 August 2018

| | Share Capital | Share Premium | Retained Earnings | Ordinary Shareholders Equity | Non controlling interest | Total Equity |
|---|---|---|---|---|---|---|
| | **R'000** | **R'000** | **R'000** | **R'000** | **R'000** | **R'000** |
| **Balance at 28 February 2017** | **8,803** | **305,140** | **(303,630)** | **10,313** | **-** | **10,313** |
| Change in holding (note 7) | - | - | 419 | 419 | (67) | 352 |
| Total comprehensive loss for the six months 31 Aug 2017 (Restarted*) | - | - | (4,329) | (4,329) | - | (4,329) |
| **Balance at 31 August 2017** | **8,803** | **305,140** | **(307,540)** | **6,403** | **(67)** | **6,336** |
| Total comprehensive profit for the six months Sep 2017 to Feb 2018 | - | - | 1715 | 1,715 | (47) | 1,668 |
| **Balance at 28 February 2018** | **8,803** | **305,140** | **(305,825)** | **8,118** | **(114)** | **8,004** |
| Reversal of change in holding (note 7) | - | - | (419) | (419) | 67 | (352) |
| Total comprehensive loss for the six months 31 Aug 2018 | - | - | (4,342) | (4,342) | 47 | (4,295) |
| **Balance at 31 August 2018** | **8,803** | **305,140** | **(310,586)** | **3,357** | **-** | **3,357** |

# Consolidated Statement of Cash Flows Income for the six months ended 31 August 2018

| | Note | Six months 31 August 2018 R'000 (Unaudited) | Six months 31 August 2017 R'000 (Unaudited/ Restated*) | 28 February 2018 R'000 (Audited) |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Cash generated from operations | 12 | 616 | 7,742 | 6,837 |
| Interest income - continued | | 1 | - | 27 |
| Interest income - discontinued | 14 | - | 4 | 5 |
| Finance costs - continued | | (664) | (657) | (1,114) |
| Finance costs - discontinued | 14 | - | (169) | (169) |
| Tax (paid) | | (3,458) | - | (3,010) |
| **Net cash from operating activities** | | **(3,505)** | **6,920** | **2,576** |
| **Cash flows from investing activities** | | | | |
| Purchase of property, plant and equipment - continued | | - | (7) | (17) |
| Purchase of intangible assets | | - | - | (344) |
| Sale of subsidiary net of cash - discontinued | 8 | (4) | - | 3,570 |
| Proceeds on sale of equity controlled instrument - discontinued | | - | - | 1,000 |
| **Net cash from investing activities** | | **(4)** | **(7)** | **4,209** |
| **Cash flows from financing activities** | | | | |
| Borrowings (repaid) - continued | | 1,190 | (289) | (1,337) |
| Borrowings (repaid) - discontinued | | - | (6,164) | (6,164) |
| Advance/(repayment) of directors' loans | | 2,572 | (1,523) | (838) |
| **Net cash from financing activities** | | **3,762** | **(7,976)** | **(8,339)** |
| **Total cash movement for the year** | | 253 | (1,063) | (1,554) |
| Cash at the beginning of the year | | 429 | 1,983 | 1,983 |
| Total cash at end of the year | | **682** | **920** | **429** |

* Refer to note 15 for details on the restatement.

# Notes to the Consolidated Interim Financial Statements

**1. Reporting entity**

African Dawn Capital Limited is domiciled in the Republic of South Africa. The unaudited consolidated interim financial statements for the six months ended 31 August 2018 comprise the results of the Company and its subsidiaries ("the Group") and the Group`s interests in associates.

**2. Basis of preparation**

The consolidated interim financial statements have been prepared using the historical cost convention, as modified for certain items measured at fair value.

The consolidated interim financial statements have been prepared in accordance with:
- International Financial Reporting Standards (IFRS);
- IAS 34 - Interim Financial Reporting;
- The requirements of the South African Companies Act (Act No 71 of 2008), as amended,
- The JSE Listings Requirements;
- The SAICA Financial Reporting Guides as issued by the Accounting Practices Committee; and
- The Financial Pronouncements as issued by Financial Reporting Standards Council.

These consolidated interim financial statements have not been audited or reviewed by the company's auditors.

These consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 28 February 2018.

**3. Approval**

The consolidated interim financial statements were prepared by Dylan Kohler Professional Accountant (SA) and supervised by the chief financial officer, G Hope CA (SA). They were approved by the Board on 30 November 2018.

**4. Significant accounting policies**

The accounting policies adopted in the preparation of the consolidated interim financial information are consistent with those applied in the consolidated annual financial statements for the year ended 28 February 2018. For a full list of standards and interpretations, which have and have not been adopted, refer to the 28 February 2018 consolidated annual financial statements.

**5. Significant judgements and accounting estimates**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Except as described below, in preparing these consolidated financial statements, the significant judgements made by management in applying the Group`s accounting policies and the key sources of estimation certainty were the same as those that applied in the consolidated financial statements for the year ended 28 February 2018 (refer to note 1.18 of the consolidated annual financial statements for the year ended 28 February 2018):

**6. Significant transactions**

The acquisition of SME Snapshot Proprietary Limited ("SME Snapshot") was reversed by mutual agreement between the parties. SME Snapshot required more development funds to become a viable product. After the SARS Settlement in December 2017 the Group was not in position to fund both the development of YueDiligence Proprietary Limited ("YueDiligence") and SME Snapshot, while repaying SARS .

Shareholders were advised by SENS on 22 May 2018, that Afdawn and YueDiligence entered in to a sale and settlement agreement with Phezulu Group CC ("Phezulu") and Tyronne Nel, in terms of which the parties agree to unwind the SME Snapshot Transaction, as defined below, through the disposal by Phezulu of all its YueDiligence shares to YueDiligence and the disposal by YueDiligince of all its SME Snapshot equity and claims to Phezulu ("the Disposal"). SME Snapshot will repay a R300 000 loan ("SME Snapshot Loan") from Afdawn over a 5-month period.

As a result of the Disposal , YueDiligence will not be required to provide more development capital to SME Sanpshot or roll out the product offering of SME Snapshot. Afdawn will utilise proceeds of the SME Snapshot Loan to repay SARS. YueDiligence will focus solely on the roll out of its interactive web-based Gap Analysis Tool.

# Notes to the Consolidated Interim Financial Statements continued

**7. Business combinations**

Acquisition of SME Snapshot

In July 2017 the Group acquired 100% of the equity and shareholders claims in SME Snapshot through the issue of shares in subsidiary YueDiligence (“the SME Snapshot Transaction”). In terms of the SME Snapshot Transaction, 18 new YueDiligence shares with a par value of R1 each were issued to Phezula, which is 15% of the equity control of YueDiligence to acquire control of SME Snapshot. The acquisition is summarized below:

**Acquisition of SME Snapshot**

Fair value of net assets and liabilities acquired:

| | 31 August 2018 R’000 | 31 August 2017 R’000 | 28 February 2018 R’000 |
|---|---|---|---|
| Intangible assets software developed at fair value | - | 104 | 104 |
| Liabilities to owner at fair value | - | (352) | (352) |
| Net liability returned/(acquired) | - | (248) | (248) |
| Outside shareholders share of liability 15% of SME Snapshot NAV | - | 37 | 37 |
| Goodwill on acquisition | - | 211 | 211 |
| Cash effect of transaction | - | - | - |

The goodwill has been recognised because of synergies that will arise from including SME Snapshot into the Group.
The contribution SME Snapshot would have contributed to the Group if acquired on 1 March 2017 is insignificant as it is in a start-up phase of development.

The effect on equity can be reconciled as follows:

| | | | |
|---|---|---|---|
| Consideration at fair value (the acquisition was paid with 18 new shares of R1 in an existing subsidiary creating share premium) | (352) | - | 352 |
| 15% of Net Asset Value of YueDiligence at acquisition given up | (30) | - | 30 |
| Outside shareholders share of liability 15% of SME Snapshot NAV | (37) | - | 37 |
| | (419) | - | (419) |

**8. Disposal/Reversal of subsidiary**

During May 2018 the acquisition of SME Snapshot was agreed to be reversed and the shares in YueDiligence were cancelled.
The assets and liabilities were returned to Phezula (in exchange for 18 YueDiligence shares which were cancelled).

Net cashflow effect of disposal/reversal of SME Snapshot

| | | | |
|---|---|---|---|
| Intangible assets | 242 | - | - |
| Cash and cash equivalents | 4 | - | - |
| Loan to Phezula | 469 | - | - |
| Trade payables | (298) | - | - |
| Intergroup loans | (655) | - | - |
| Carrying value of assets and liabilities on disposal/reversal | (238) | - | - |
| Outside shareholders share of assets | (114) | - | - |
| Equity value at acquisition reversed | (352) | - | - |
| Net cash effect cash given up in reversal | 4 | - | - |

# Notes to the Consolidated Interim Financial Statements continued

**9. Events after the reporting period**

Shareholders are referred to the announcement released by Afdawn on SENS on 6 August 2018 advising shareholders that Afdawn entered into the subscription agreement with Arvesco, in terms of which Arvesco has agreed to subscribe for the Issue Shares, which will constitute approximately 55% of the entire issued share capital of Afdawn after their issue, for cash at the Issue Price of 35 cents per Share and for a total Issue Consideration of R9.38 million ("the Arvesco Transaction").

In terms of the Specific Issue, Afdawn will issue 26 800 000 Shares, at an Issue Price of 35 cents per Share, to Arvesco.

**10. Trade receivables**

Impairment of trade and other receivables

The carrying amount of trade and other receivables was assessed for impairment at the interim dates and resulted in the following changes:

| Impairment | 31 Aug 2018 R'000 | 31 Aug 2017 R'000 | 28 Feb 2018 R'000 |
|---|---|---|---|
| Movement in impairment provision trade and other receivables | 356 | (195) | (11,314) |

**11. Segment report**

The Group's reportable segments are unchanged from those disclosed in the consolidated annual financial statements for the year ended 28 February 2018. The segment report for the six-month period to 31 August 2017 included for comparative purposes.

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

| 31 Aug 2018 | 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 | 119 | 7,762 | - | - | 7,881 |
| Cost of sales | 71 | 6 | - | - | 77 |
| Other income | - | 140 | - | 98 | 238 |
| Investment income | - | - | - | 1 | 1 |
| Finance costs | - | 518 | - | 209 | 727 |
| Operating expenses | 70 | 9,202 | 46 | 2,759 | 12,077 |
| Impairment trade receivables | - | 363 | - | - | 363 |
| Bad debts written off | - | 886 | - | - | 866 |
| Gain on reversal of SME Snapshot transaction | - | - | - | 419 | 419 |
| Loss before taxation | (22) | (1,824) | (46) | (2,450) | (4,342) |
| Taxation | - | - | - | - | - |
| Total comprehensive loss | (22) | (1,824) | (46) | (2,450) | (4,342) |
| Total assets | 219 | 16,316 | 51 | 5,041 | 21,627 |
| Total liabilities | 21 | 9,937 | 91 | 8,221 | 18,270 |
| Intangible assets | 152 | 388 | - | - | 540 |
| Property, plant and equipment | - | 328 | - | 26 | 354 |

# Notes to the Consolidated Interim Financial Statements *continued*

| 31 August 2017 (Restated) | 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 | 41 | 9,643 | - | 1,258 | 10,942 |
| Cost of sales | 33 | 5 | - | - | 38 |
| Other income | - | 58 | - | (20) | 38 |
| Investment income | - | - | - | - | - |
| Finance costs | - | 594 | - | 63 | 657 |
| Operating expenses | 189 | 9,260 | - | 3,228 | 12,677 |
| Impairment/Amortisation of goodwill/intangibles | 263 | 177 | - | - | 440 |
| Impairment trade receivables | - | (3,195) | - | 3,000 | (195) |
| Bad debts written off | - | 4,505 | - | - | 4,505 |
| Loss before taxation | (444) | (335) | - | (2,053) | (2,832) |
| Taxation | - | 4 | - | 383 | 387 |
| Total comprehensive loss | (444) | (331) | - | (1,670) | (2,445) |
| Loss from discontinued operations | (1,313) | - | (571) | - | (1,884) |
| Total comprehensive loss | (1,757) | (331) | (571) | (1,670) | (4,329) |
| Total assets | 6,621 | 22,969 | 194 | 5,595 | 35,379 |
| Total liabilities | 250 | 10,792 | 432 | 17,569 | 29,043 |
| Intangible assets | 1,727 | 590 | - | - | 2,317 |
| Goodwill | 4,195 | - | - | - | 4,195 |
| Property, plant and equipment | 44 | 428 | 4 | 48 | 524 |

# Notes to the Consolidated Interim Financial Statements *continued*

## 12. Cash generated from operations

| | 31 August 2018<br>R'000 | 31 August 2017<br>R'000 | 28 February 2018<br>R'000 |
|---|---|---|---|
| Loss before taxation | (4,342) | (4,726) | (2,846) |
| **Adjustments for:** | | | |
| Depreciation - continued | 46 | 69 | 157 |
| Depreciation - discontinued | - | 19 | 21 |
| Loss/(profit) on disposal of property, plant and equipment - discontinued | - | - | 22 |
| Movement in operating lease liability | (1) | (5) | 58 |
| Investment income - continued | - | - | (27) |
| Investment income - discontinued | | (4) | (5) |
| Finance costs - continued | 664 | 657 | 1,114 |
| Finance costs - discontinued | - | 169 | 169 |
| Loss on sale of Knife Capital | - | - | 426 |
| Profit on sale of Grindstone | - | - | (209) |
| Non-cash finance costs (penalties and interest on income tax) | - | 11 | - |
| Amortisation intangible assets - continued | 139 | 229 | 610 |
| Amortisation intangible assets - discontinued | - | 1,367 | 684 |
| Non-cash outside shareholders share of loss reversed | 47 | - | - |
| Deemed interest expense - continued | - | - | (433) |
| Impairment of goodwill - continued | - | 211 | 211 |
| Impairment of goodwill - discontinued | - | 485 | 485 |
| Non-cash finance costs (SARS penalties and interest) | 63 | - | (11,809) |
| Non-cash impairment of debtors allowance | 1,361 | 2,650 | 8,645 |
| **Changes in working capital:** | | | |
| Properties in possession | - | 15,853 | 15,831 |
| Trade and other receivables | 996 | 1,820 | 568 |
| Trade and other payables | 1,643 | (11,063) | (6,835) |
| | **616** | **7,742** | **6,837** |

# Notes to the Consolidated Interim Financial Statements continued

**13. Related parties**

Related party relationships – other than as disclosed below, there have been no significant changes from the disclosures in the consolidated annual financial statements for the year ended 28 February 2018.

| | |
|---|---|
| Executive and non-executive directors | As per directors' report in the consolidated annual financial statements for the year ended 28 February 2018. |
| Other key management | DD Breedt |

| | 31 August 2018 R'000 | 31 August 2017 R'000 |
|---|---|---|
| **Related party transactions** | | |
| **Interest paid to directors** | | |
| WJ Groenewald | 34 | 7 |
| G Hope | 114 | 56 |
| **Related party balances** | | |
| **Balance of directors loans relating to short term cash advance @15% interest per annum** | | |
| WJ Groenewald | 818 | - |
| G Hope | 2,439 | - |
| **Loan accounts - owing (to)/by related parties** | | |
| Elite owes Sandown Capital Proprietary Limited | (5,131) | (6,631) |

# Notes to the Consolidated Interim Financial Statements continued

## 14. Discontinued operations

During the 2018 financial period management decided to restructure the Knife Capital Proprietary Limited to assist with the Group liquidity. The sale was concluded by 1 September 2017 as announced on SENS. The sale of the remaining 50% of Grindstone was concluded in January 2018. Also included in the discontinued operations is the income relating to the rental property Greenoaks which was disposed of (referred to as the Candlestick transaction). As the decision to sell and sale happened in the same period the effect on the statement of profit and loss is treated as a discontinued operation as below:

**Total discontinued operations**

| | 31 August 2018 R'000 | 31 August 2017 R'000 | 28 February 2018 R'000 |
|---|---|---|---|
| Revenue | - | 3,345 | 3,281 |
| Cost of sales | - | (15) | (15) |
| Other income | - | (22) | - |
| Operating expenses | - | (3,145) | (3,084) |
| Operating profit | - | 163 | 182 |
| Investment revenue | - | 4 | 5 |
| Depreciation on property, plant and equipment | - | (19) | (21) |
| Finance costs | - | (169) | (169) |
| Amortisation of intangible asset | - | (1,367) | (684) |
| Impairment of goodwill | - | (485) | (485) |
| Loss before tax | - | (1,873) | (1,172) |
| Tax | - | (11) | 181 |
| Loss for the year from discontinued operations | - | (1,884) | (991) |
| Equity loss on associate discontinued | - | - | (156) |
| Loss on sale of Knife Capital | - | - | (426) |
| Profit on sale of Grindstone | - | - | 209 |
| Comprehensive loss for the year from discontinued operations | - | (1,884) | (1,364) |

# Notes to the Consolidated Interim Financial Statements continued

**15. Restatement of 31 August 2017 interim results**

**Group - February 2017**

The interim results for 31 August 2017 have been restated as a result of the IFRS 5 Non-current assets held for sale and discontinued operations requirement to restate comparative numbers for a discontinued operation identified during the 2018 financial period.

In addition, the 2017 interim results have been restated due to an error that was identified as part of the 28 February 2018 year end audit. The error related to the acquisition of SME Snapshot. An amount of R236 000 was reclassified from intangible assets to expenses. The resulting effect of the restatement is disclosed below. The restatement did not have any impact on the 28 February 2018 results that were reported, and only impacted the restatement of the 31 August 2017 comparative numbers.

Consolidated statement of financial position at 31 August 2017

| | Originally stated R'000 | Reclassification R'000 | Now stated R'000 |
|---|---|---|---|
| Intangible assests | 2,516 | (199) | 2,317 |
| Goodwill | 3,855 | 340 | 4,195 |
| Non-controlling interest | 20 | (87) | (67) |
| Accumulated loss | 307,768 | (228) | 307,540 |

# Notes to the Consolidated Interim Financial Statements continued

Consolidated statement of profit and loss at 31 August 2017

| | Originally stated R'000 | Restatement R'000 | Reclassification Note 14 R'000 | Now stated R'000 |
|---|---|---|---|---|
| Revenue | 14,287 | - | (3,345) | (10,942) |
| Cost of sales | 53 | - | 15 | (38) |
| Gross profit | 14,234 | - | (3,330) | 10,904 |
| Other income | 35 | (19) | 22 | 38 |
| Operating expenses | (15,861) | 20 | 3,164 | (12,677) |
| Operating loss | (1,592) | 1 | (144) | (1,735) |
| Investment income | 4 | - | (4) | - |
| Impairment of goodwill | (485) | (211) | 485 | (211) |
| Amortisation of intangible asset | (1,596) | - | 1,367 | (229) |
| Finance costs | (826) | - | 169 | (657) |
| Loss before taxation | (4,495) | (211) | 1,873 | (2,832) |
| Taxation | 377 | - | 11 | 387 |
| Loss from continued operations | (4,118) | (211) | 1,884 | (2,445) |
| Loss from discontinued operations | - | - | (1,884) | (1,884) |
| Total comprehensive loss | (4,118) | - | - | (4,329) |
| Loss attributable to non-controlling interest | (20) | 87 | - | 67 |
| Loss attributable to owners of the parent | (4,138) | (124) | - | (4,262) |
| Basic loss per share (c) | (18.9)* | (0.9) | - | (19.8) |
| Headline loss per share (c) | (18.9)* | 0.1 | 2.2 | (16.6) |

*Please note that in the August 2017 interim results the loss per share was correctly calculated and disclosed in the notes to the financial statements as 18.9 cents loss per share. However due to a drafting error, it was incorrectly shown as a loss of 16.3 cents per share on the income statement.

Consolidated statement of changes in equity at 31 August 2017

| | Originally stated R'000 | Restatement R'000 | Now stated R'000 |
|---|---|---|---|
| Accumulated loss | (307,768) | 228 | (307,540) |
| Ordinary shareholders equity | 6,175 | 228 | 6,403 |
| Non-controlling interest | 20 | (87) | (67) |
| **Total equity** | **6,195** | **141** | **6,336** |

Statement of cashflow R'000

| | Originally stated R'000 | Reclassification Note 14 R'000 | Now stated R'000 |
|---|---|---|---|
| Interest income continued | 4 | (4) | - |
| Interest income discontinued | - | 4 | 4 |
| Finance cost continued | (826) | 169 | (657) |
| Finance cost discontinued | - | (169) | (169) |

# Notes to the Consolidated Interim Financial Statements *continued*

## 16. Loss per share

### Basic and diluted loss per share

Basic and diluted loss per share is 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.

| | 31 August 2018 | 31 August 2017 Restated |
|---|---|---|
| **Basic and diluted loss per share** | | |
| From continued operations (c per share) | (19.8) | (11.2) |
| From discontinued operations (c per share) | - | (8.6) |
| | (19.8) | (19.8) |
| **Reconciliation of loss for the year to basic loss** | | |
| Loss from continued operations | (4,342) | (2,445) |
| Loss from discontinued operations | 0 | (1,884) |
| Basic loss | (4,342) | (4,329) |

| **Reconciliation of weighted average number of ordinary shares used for basic loss per share and headline and diluted headline loss share** | **2018 '000** | **2017 '000** |
|---|---|---|
| Number of ordinary shares in issue | 21,925 | 21,925 |
| Weighted average number of shares used for loss and headline loss per share | 21,925 | 21,925 |

| | 31 August 2018 | 31 August 2017 Restated |
|---|---|---|
| **Headline and diluted loss per share** | | |
| From continued operations (c per share) | (19.8) | (10.2) |
| From discontinued operations (c per share) | 0 | (6.4) |
| | (19.8) | (16.6) |

| **Headline loss from continued operations 31 August 2018 R'000** | Gross | Tax | Net |
|---|---|---|---|
| Loss from continued operations | (4,342) | 0 | (4,342) |
| Impairment of goodwill | - | - | 0 |
| **Headline loss from operations** | **(4,342)** | **0** | (4,342) |

| **Headline loss from discontinued operations 31 August 2018 R'000** | Gross | Tax | Net |
|---|---|---|---|
| Loss from discontinued operations | 0 | 0 | 0 |
| **Headline loss from discontinued operations** | 0 | 0 | 0 |

# Notes to the Consolidated Interim Financial Statements continued

| Headline loss continued operations 31 August 2017 R'000 | Gross | Tax | Net |
|---|---|---|---|
| Loss from continued operations | (2,832) | 387 | (2,445) |
| Impairment of goodwill | 211 | 0 | 211 |
| Headline loss from continued operations | (2,621) | 387 | (2,234) |

| Headline loss discontinued operations 31 August 2017 R'000 | Gross | Tax | Net |
|---|---|---|---|
| Loss from discontinued operations | (1,873) | (11) | (1,884) |
| Impairment of goodwill | 485 | - | 485 |
| Headline loss from discontinued operations | (1,388) | (11) | (1,399) |

**17. Comments from The Board**

**REVIEW FOR THE PERIOD**

During the past six months the Group had to ensure that the SARS obligation was repaid in terms of the agreement in place. This was critical to enable the Group to attract a suitable third party who could provide access to capital and further industry knowledge and networks. In Arvesco, who is part of the Gowin Group, we have found a partner who wants to rebuild the Group into a fully fledged financial services holding company.

The key risk was a missed SARS payment as this would negatively effected the outcome of the SARS settlement agreement. SARS was paid an amount of R3,5 million during the period and mostly funded by loans from directors. At end of October the outstanding SARS obligation was R1,6 million.

Head office cost were reduced as executive directors waived salaries for this six month period.

Elite Group's performance was negatively influenced by a shortage of new funding, while Elite used cash to repay the Sandown obligation.

Elite repaid Sandown R1,4 million during the last twelve months and were able to get interim funders to support the business, while we were finalising the Arvesco Transaction.

Elite generated revenue of R7,8 million while they continuously focused to reduce operating expenses.

Elite's more conservative provisioning on its legal book has resulted in an increase provision and write off of R1,2m million during the last six months.

**DIRECTORATE**

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

| Director | Office | Designation |
|---|---|---|
| WJ Groenewald | Chief Executive Officer (CEO) and acting Chairman | Executive |
| HH Hickey | Chair audit Committee | Independent Non-Executive |
| GB Hope | Chief Financial Officer (CFO) | Executive |
| V Lessing | | Independent Non-Executive |
| SM Roper | | Independent Non-Executive |

# Notes to the Consolidated Interim Financial Statements continued

**GOING CONCERN**

These results 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.

Certain material uncertainties relating to events or conditions which may cast doubt upon the ability to continue as a going concern were outlined in note 1.18. of the Annual Financial Statements for the year ended 28 February 2018. The following actions were implemented to reduce these uncertainties:

- Timing of the amount payable to SARS (please refer to SARS note below).
- Ability of Afdawn and all of its subsidiaries to meet ongoing commitments. The Arvesco Transaction would lower this risk uncertainty materialising in a manner that could affect the relevance of the going concern.
- Sandown agreed to lengthen the term of the loan to March 2020.
- The Group debt increased during the period by R1.6m and cash balances increased by R.25m.

**SOUTH AFRICAN REVENUE SERVICES ("SARS")**

The SARS Settlement concluded in December 2017 for R8,2million was key for the group to move forward as we were not in any position to access capital markets. All payments were made and at interim the outstanding obligation was R2,2million. As at end of October 2018 this was reduced to R1,6 million.

**DIVIDENDS**

No dividends have been declared for this interim period (August 2017: R0)

**PROSPECTS**

The Arvesco Transaction is very key for the Group. The focus will be to grow Elite to optimise its infrastructure in the branches and call center division. R5m of the proceeds will be allocated to recapitalise Elite and then the focus is to attract further outside funding. The Arvesco Transaction also eliminates the SARS risk that was overhanging the Group during the last few years. The Group has demonstrated the ability to survive in the most difficult of conditions. We are however correctly placed to rebuild the group with the support of the new key shareholder that will open up access to capital and networks

**Registered office**
3RD Floor
The Village at Horizon
Corner of Sonop and Ontdekkers Roads
Horizon View
1724
Gauteng
Tel: +27 (11) 475 7705

**Company secretary**
A Rich (on behalf of Statucor Proprietary Limited)
**Auditors**
Grant Thornton Johannesburg Partnership
**Designated Advisor**
PSG Capital

**Transfer secretaries**
Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Bierman Avenue, Rosebank, 2196

Date:
30th November 2018