AFRICAN DAWN
CAPITAL LIMITED

Unaudited Consolidated Statements for six months ended 31 August 2016

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

Consolidated Statements of Financial Position as at 31 August 2016

	31 August 2016 R '000 (Unaudited)	31 August 2015 R '000 (Unaudited)	29 February 2016 R '000 (Audited)
Assets			
Non-Current Assets			
Property, plant and equipment	791	1 070	879
Goodwill	8 076	8 076	8 076
Intangible assets	4 352	5 746	5 155
Deferred tax	335	-	381
	13 554	**14 892**	**14 491**
Current Assets			
Other financial assets	-	354	312
Properties in possession	17 695	22 688	18 247
Trade and other receivables	32 022	38 287	35 981
Current tax receivable	-	397	-
Cash and cash equivalents	1 916	10 262	3 005
	51 633	**71 988**	**57 545**
Total Assets	**65 187**	**86 880**	**72 036**
Equity and Liabilities			
Equity			
Share capital and share premium	313 943	313 943	313 943
Accumulated loss	(298 433)	(283 678)	(291 442)
	15 510	**30 265**	**22 501**
Liabilities			
Non-Current Liabilities			
Loans from directors	-	121	-
Deferred tax	943	1 196	1 125
Borrowings	838	11 142	7 829
Finance lease liabilities	-	6	-
	1 781	**12 465**	**8 954**
Current Liabilities			
Current tax payable	15 902	14 963	15 054
Borrowings	16 002	14 054	12 524
Finance lease liabilities	-	122	19
Loans from directors	628	731	487
Operating lease liability	-	-	28
Trade and other payables	15 364	14 280	12 469
	47 896	**44 150**	**40 581**
Total Liabilities	**49 677**	**56 615**	**49 535**
Total Equity and Liabilities	**65 187**	**86 880**	**72 036**

Consolidated Statements of Profit or Loss and Other Comprehensive Income for the six months ended 31 August 2016

	31 August 2016 R '000 (Unaudited)	31 August 2015 R '000 (Unaudited)	29 February 2016 R '000 (Audited)
Continuing operations			
Revenue	16 011	20 672	37 329
Cost of sales	(287)	(1 579)	(839)
Gross profit	**15 724**	**19 093**	**36 490**
Other income	313	428	3 910
Operating expenses	(21 298)	(20 303)	(42 836)
Operating (loss)	**(5 261)**	**(782)**	**(2 436)**
Investment income	12	150	346
Profit on release from vendor liabilities	-	4 095	-
Gain on fair value movement contingent consideration liability	-	-	2 000
Deemed interest expense	-	(313)	(552)
Impairment to properties in possession	-	-	(3 284)
Loss on non-current assets held for sale	-	(10)	-
Finance costs	(1 794)	(1 750)	(3 018)
(Loss)/Profit before taxation	**(7 043)**	**1 390**	**(6 944)**
Taxation	52	(536)	34
(Loss)/Profit for the year	**(6 991)**	**854**	**(6 910)**
(Loss)/Profit attributable to:			
Owners of the parent:			
Continuing operations	(6 991)	854	(6 910)
Basic loss per share (c)	(0.79)	0.10	(0.79)
Headline loss per share (c)	(0.79)	0.10	(0.79)

Consolidated Statements of Changes in Equity for the six months ended 31 August 2016

	Share capital R '000	Share premium R '000	Shares Total R '000	Retained Earnings R '000	Ordinary Shareholders Equity R '000
Balance at 28 February 2015	8 803	305 140	313 943	(284 532)	29 411
Total comprehensive income for the six months 31 Aug 2015	-	-	-	854	854
Balance at 31 August 2015	8 803	305 140	313 943	(283 678)	30 265
Total comprehensive (loss) for the six months Sep to Feb 2016	-	-	-	(7 764)	(7 764)
Balance at 29 February 2016	8 803	305 140	313 943	(291 442)	22 501
Total comprehensive (loss) for the six months 31 Aug 2016	-	-	-	(6 991)	(6 991)
Balance at 31 August 2016	**8 803**	**305 140**	**313 943**	**(298 433)**	**15 510**

Consolidated Statements of Cash Flows for the six months ended 31 August 2016

	Six months year ended 31 August 2016 R '000 (Unaudited)	Six months year ended 31 August 2015 R '000 (Unaudited)	Year ended 29 February 2016 R '000 (Audited)
Cash flows from operating activities			
Cash generated by operations (note 11)	3 368	4 047	3 490
Interest income	12	150	346
Finance costs	(1 794)	(1 046)	(2 080)
Tax paid	764	(1 162)	(1 307)
Net cash from operating activities	**2 350**	**1 820**	**449**
Cash flows from investing activities			
Purchase of property, plant and equipment	(19)	(97)	(570)
Proceeds on disposal of property, plant and equipment	-	4	248
Purchase of intangible assets	(29)	(246)	(346)
Net cash from investing activities	**(48)**	**(339)**	**(668)**
Cash flows from financing activities			
Borrowings (repaid) / raised	(3 513)	(6 197)	(11 280)
Finance lease payments	(19)	(54)	(163)
Repayment of directors' loans	141	(365)	(730)
Net cash from financing activities	**(3 391)**	**(6 616)**	**(12 173)**
Total cash movement for the period / year	**(1 089)**	**(5 135)**	**(12 392)**
Cash at the beginning of the period / year	3 005	15 397	15 397
Total cash at end of the period / year	**1 916**	**10 262**	**3 005**

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 2016 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 Companies auditors.

These consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 29 February 2016.

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 2016.

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 29 February 2016. For a full list of standards and interpretations, which have and have not been adopted, refer to the 29 February 2016 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 29 February 2016 (refer to note 1.19 of the consolidated annual financial statements for the year ended 29 February 2016):

6. Significant transactions

Shareholders are referred to the Company's respective SENS announcements dated 7 December 2015, 22 January 2016 and 28 June 2016 advising Shareholders of the proposed Elite Transaction and the SENS announcements dated 23 December 2015 and 11 April 2016 advising Shareholders of the proposed Candlestick Transaction. Both Transactions were approved at General Meeting of the Company held at 18 October 2016.

7. Business combinations

There were no business combinations or disposals in the six-month period to 31 August 2016.

Notes to the Consolidated Interim Financial Statements

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8. Events after the reporting period

Other than as explained below, the events after the reporting period are the same as those disclosed in the consolidated annual financial statements.

- A circular detailing the Elite Transactions, Candlestick Transactions ("the Transactions") and the proposed consolidation of the Company's ordinary share capital on a 40 to 1 basis ("Consolidation") was distributed to Shareholders on 16 September 2016. The Circular incorporated a notice convening a general meeting of shareholders for the purpose of considering and approving the Transactions, the Consolidation and related matters.
- The Transactions and the Consolidation was approved at the General Meeting of the Company held at 18 October 2016 and all conditions precedent have been fulfilled.

9. 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 2016 R '000	31 Aug 2015 R '000	29 Feb 2016 R '000
Movement in impairment provision	1 541	(1 593)	(47 555)

10. Segment report

The Group's reportable segments are unchanged from those disclosed in the consolidated annual financial statements for the year ended 29 February 2016. The segment report for the six-month period to 31 August 2015 has been included for comparative purposes.

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.

31 August 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	2 362	11 619	2 449	(419)	16 011
Cost of sales	(287)	-	-	-	(287)
Other income	35	278	-	-	313
Investment income	10	-	1	1	12
Finance costs	-	(833)	(365)	(596)	(1 794)
Operating expenses	(3 293)	(11 972)	(1 617)	(4 416)	(21 298)
Impairment trade receivables	-	1 766	(225)	-	1 541
Bad debts written off	-	1 230	88	-	1 318
Loss on disposal of property, plant and equipment	-	-	-	-	-
Profit/(loss) before taxation	(1 173)	(909)	468	(5 429)	(7 043)
Taxation	-	-	(131)	183	52
Total comprehensive profit/(loss)	(1 173)	(909)	337	(5 246)	(6 991)
Total assets	1 960	24 632	17 911	20 684	65 187
Total liabilities	1 226	37 759	21 369	(10 677)	49 677
Intangible assets	3 685	667	-	-	4 352
Goodwill	8 076	-	-	-	8 076
Property, plant and equipment	83	599	7	102	791

31 August 2015	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	5 157	12 366	2 715	434	20 672
Cost of sales	(1 653)	(61)	-	135	(1 579)
Other income	1	426	-	1	428
Investment income	57	246	1	(154)	150
Finance costs	-	(760)	(372)	(618)	(1 750)
Operating expenses	(2 990)	(11 021)	(1 711)	(4 581)	(20 303)
Impairment trade receivables	-	(2 040)	447	-	(1 593)
Bad debts written off	-	3 266	23	-	3 289
Gain on release from vendor liabilities	-	-	-	4 095	4 095
Deemed interest expense	-	(199)	-	(114)	(313)
Loss on sale of property, plant and equipment	-	(6)	-	(4)	(10)
Profit/(loss) before taxation	572	736	632	(550)	1 390
Taxation	(190)	-	(177)	(169)	(536)
Total comprehensive profit/(loss)	382	736	455	(719)	854
Total assets	4 129	30 304	20 608	31 839	86 880
Total liabilities	1 509	43 454	21 437	(9 786)	56 615
Intangible assets	4 720	1 020	-	-	5 746
Goodwill	8 076	-	-	-	8 076
Property, plant and equipment	80	623	11	356	1 070

Notes to the Consolidated Interim Financial Statements

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11. Cash generated from / (used in) operations

	31 Aug 2016 R '000	31 Aug 2015 R '000	29 Feb 2016 R '000
(Loss)/profit before taxation	(7 043)	1 390	(6 944)
Adjustments for:			
Depreciation	107	150	394
Loss/(profit) on disposal of property, plant and equipment	-	10	(13)
Movement in operating lease liability	(28)	(23)	5
Investment income	(12)	(150)	(346)
Finance costs	1 794	1 398	2 080
Fair value of contingent consideration	-	-	(2 095)
Fair value adjustment	-	(4 095)	(2 000)
Non-cash finance costs (penalties and interest on income tax)	-	-	938
Amortisation	832	779	1 670
Deemed interest expense	-	313	552
Impairment of properties in possession	-	-	3 283
Impairment of intangible asset	-	-	-
Changes in working capital:			
Properties in possession	552	280	1 439
Trade and other receivables	3 959	1 548	3 853
Trade and other payables	2 895	2 551	736
Deferred income	-	(474)	(474)
Other financial assets	312	370	412
	3 368	**4 047**	**3 490**

Notes to the Consolidated Interim Financial Statements

continued

12. 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 29 February 2016.

Executive and non-executive directors	As per directors' report in the consolidated annual financial statements for the year ended 29 February 2016.
Other key management	DD Breedt

Related party transactions	31 August 2016 R '000	31 August 2015 R '000
Interest paid to directors		
WJ Groenewald	19	-
G Hope	31	-
Release from obligation to settle liabilities relating to the acquisition of Knife Capital		
EA van Heerden	-	1,365
JK van Zyl	-	1,365
A Bohmert	-	1,365
Balance of directors loans relating to the acquisition of Knife Capital		
EA van Heerden	41	122
JK van Zyl	41	122
A Bohmert	41	122
Balance of directors loans relating to short term cash advances @ 2% interest per month		
WJ Groenewald	18	-
G Hope	487	-

Notes to the Consolidated Interim Financial Statements

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13. Earnings / (loss) per share

Basic and diluted earnings / (loss) per share

Basic and diluted earnings / (loss) per share are calculated by dividing the profit / (loss) attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period (excluding ordinary shares held as treasury shares).

	31 August 2016	31 August 2015
Basic and diluted earnings / (loss) per share		
From continuing operations (c)	(0.79)	0.10
	(0.79)	**0.10**
Reconciliation of weighted average number of ordinary shares	`000	`000
Number of ordinary shares in issue	880 271	880 271
Adjusted for:		
Treasury shares cancelled	(3 269)	-
Weighted average number of shares used for loss and headline loss per share	**877 002**	**880 271**

	31 August 2016	31 August 2015
Headline and diluted headline earnings / (loss) per share		
From continuing operations (c)	(0.79)	0.10
Headline earnings / reconciliation		
Profit /(loss) for the period for continuing operations	(6 991)	854
Adjusted for:		
Loss / (profit) on disposal of property, plant and equipment	-	10
Tax effect on disposal of property, plant and equipment	-	(3)
Headline earnings/(loss) for the period	**(6 991)**	**861**

Notes to the Consolidated Interim Financial Statements

continued

14. Comments from The Board

REVIEW FOR THE PERIOD

The Board is not satisfied with the results as the operational performance was worse than that of the comparable period. The operating results were influenced by various factors, but especially by the delay in finalising the SARS matter. Knife Capital team's focus on establishing an investment fund resulted in lower advisory revenues and no new transactional revenue during this six month period. This resulted in a decrease in revenue from Investment advisory and investment management from R5,16 million to R2.36 million. The establishment of an investment fund was important to regain investment relevance while Afdawn dispose of it's other non-core assets. Elite Group's revenue was R0.747 million lower mainly due to lower interest rates and fees as determined by the Department of Trade and Industry as well as a shortage in additional funding to grow the debtors book. Overall revenue was R4.66million lower to R16,01million for the period to 31 August 2016. Operating expenses excluding the once-off circular cost (R0.814 million) increased by 0,89% to R20,48 million. An operating loss of R5,26 million was recorded versus an operating loss of R0.78 million for the comparable period last year.

Net cash from operating activities for the period to 31 August 2016 was R2.35million versus R1,82million the previous comparable period. After borrowings were further reduced by R3,51million total cash reduced by R1,08million to R1.92million since the 28 February 2016 .

To lower operating expenses management of both Knife Capital and Afdawn have reduced their monthly salaries.

The resolution of the SARS matter is becoming increasingly critical to the performance of the group.

The Board would like to thank all stakeholders for the continued support during another difficult period.

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	Executive
V Lessing		Independent Non-Executive
SM Roper		Independent Non-Executive

There have been no changes to the board of directors since February 2016.

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. The Directors are of the opinion that the working capital available in the Afdawn Group is sufficient for the Afdawn Group's ongoing present working capital requirements and will post implementation of the Transactions, be adequate for at least 12 month from the date of issue of the interim results. The successful conclusion of the Transactions is critical to the ongoing cashflow of the Afdawn Group.

SOUTH AFRICAN REVENUE SERVICES ("SARS")

The income tax debt and vat debt arose mainly in the financial years of 2007 and 2008 and total debt owing of just over R20million, made up of about R10 million of debt, and R10 million penalties and interest, that are fully provided for in the Group accounts.

A Section 200 application was made in June 2013 and was declined in May 2015 on the basis that Afdawn Company's financial position did not warrant a compromise. A submission was made by Bowmans on behalf of Afdawn to SARS in October 2015 to pay off the debt over period of time as adequate funds was not available to settle the outstanding amount. After signing the Elite and Candlestick transactions it was felt Afdawn could offer SARS a better Settlement for all debt owing. A meeting was held with between Bowman's and SARS in June 2016. The feedback after the meeting was that all Afdawn Group companies were to form part of the section 200 application.

Before SARS would even consider any form of settlement, Afdawn had to get all outstanding tax returns submitted for all its legal entities and it had to deal with vat audits for 8 selected periods and further had to resubmit revised returns for Afdawn for all the vat periods from 2008 – 2010. SARS is still in the process of assessing these returns. The final SARS application is close to being finalised and is expected to be submitted to SARS in early December.

Afdawn has estimated income tax losses of R65 million and will have an estimated R200 million of capital losses once the Elite and Candlestick transactions are all finalised.

DIVIDENDS
No dividends have been declared for this interim period (August 2015: R0)

PROSPECTS
The proceeds of the Transactions will be used to reduce liabilities, fund ongoing commitments and for potential investments by Afdawn. Following the successful conclusion of the disposal of the non-core legacy assets and the settlement of SARS claim, Afdawn will be rebranded to articulate the vision and strategy in a visual manner and will actively seek new investments in fulfilment of its vision and strategy. Following the conclusion of the transactions Knife Capital and Grindstone Accelerator will be the only operating assets within the Afdawn Group.

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Company secretary
A Rich (on behalf of Statucor Proprietary Limited)
Auditors
Grant Thornton Cape Inc.
Designated Advisor
PSG Capital

Transfer secretaries
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Date:
30 November 2016

www.afdawn.co.za